

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 Grand Ledge	County Eaton
Fiscal Year End June 30, 2007	Opinion Date September 17, 2007	Date Audit Report Submitted to State September 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

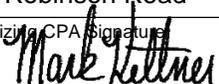
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517-787-6507		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673



**City of Grand Ledge,
Michigan**

Financial Statements

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



REHMANN ROBSON

Certified Public Accountants

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	13-14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund.....	19-20
Major Street Fund	21
Municipal Street Fund.....	22
Statement of Net Assets – Proprietary Funds	23
Reconciliation of Net Assets on the Statement of Net Assets for the Enterprise Fund to Net Assets of Business-type Activities on the Statement of Net Assets	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Enterprise Fund to the Statement of Activities.....	26
Statement of Cash Flows – Proprietary Funds.....	27-28
Statement of Fiduciary Net Assets – Agency Funds.....	29
Combining Statement of Net Assets – Component Units.....	30
Combining Statement of Activities – Component Units.....	31
Notes to the Financial Statements	32-53

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	54-55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	56-57
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Local Street	58
Parks and Recreation.....	59
Cemetery	60
Sidewalk.....	61
Drug Forfeiture	62
Project D.A.R.E.	63
Airport Development	64
Juvenile Justice Grant	65
Combining Statement of Net Assets – Internal Service Funds	66
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	67
Combining Statement of Cash Flows – Internal Service Funds.....	68
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	69



REHMANN ROBSON

Certified Public Accountants

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BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

September 17, 2007

The Honorable Mayor and
Members of the City Council
City of Grand Ledge
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF GRAND LEDGE, MICHIGAN** as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Ledge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Ledge Area Emergency Services Authority (GLAESA), which represents 32.9% of the assets and 52.9% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the GLAESA, is based solely on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan*, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Grand Ledge's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,130,909 (*net assets*). Of this amount, \$1,968,413 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,461,321.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,186,443 an increase of \$534,826 in comparison with the prior year, all of which is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$434,058 or 16.3% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$514,314 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

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

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

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

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

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and municipal street funds, which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been largely included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-53 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 54-69 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Ledge, assets exceeded liabilities by \$19,130,909 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (85.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Grand Ledge's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 2,427,189	\$ 1,861,202	\$ 3,541,306	\$ 4,900,814	\$ 5,968,495	\$ 6,762,016
Capital assets	10,617,883	9,305,557	13,754,185	12,041,680	24,372,068	21,347,237
Total assets	13,045,072	11,166,759	17,295,491	16,942,494	30,340,563	28,109,253
Long-term liabilities outstanding	2,331,264	2,416,297	8,218,103	8,564,426	10,549,367	10,980,723
Other liabilities	210,403	183,886	449,884	275,056	660,287	458,942
Total liabilities	2,541,667	2,600,183	8,667,987	8,839,482	11,209,654	11,439,665
Net assets:						
Invested in capital assets, net of related debt	8,508,540	7,122,477	7,917,790	7,059,613	16,426,330	14,182,090
Restricted	736,166	305,062	-	-	736,166	305,062
Unrestricted	1,258,699	1,139,037	709,714	1,043,399	1,968,413	2,182,436
Total net assets	\$ 10,503,405	\$ 8,566,576	\$ 8,627,504	\$ 8,103,012	\$ 19,130,909	\$ 16,669,588

An additional portion of the City's net assets (3.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (10.3 percent or \$1,968,413) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets increased by \$2,461,321 during the current fiscal year. This increase is largely attributable to a \$1,971,452 increase in capital grants and contributions.

City of Grand Ledge's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$ 508,452	\$ 510,163	\$ 2,247,999	\$ 2,135,176	\$ 2,756,451	\$ 2,645,339
Operating grants and contributions	620,476	647,674	-	-	620,476	647,674
Capital grants and contributions	1,228,812	65,284	807,924	-	2,036,736	65,284
General revenue:						
Property taxes	2,114,213	2,058,812	-	-	2,114,213	2,058,812
Grants and contributions not restricted to specific programs	730,553	751,524	-	-	730,553	751,524
Other	147,747	93,214	184,861	214,767	332,608	307,981
Total revenue	5,350,253	4,126,671	3,240,784	2,349,943	8,591,037	6,476,614
Expenses:						
General government	599,358	646,046	-	-	599,358	646,046
Public safety	1,431,819	1,688,758	-	-	1,431,819	1,688,758
Highways and streets	1,018,561	982,695	-	-	1,018,561	982,695
Recreation and culture	262,728	276,104	-	-	262,728	276,104
Interest on long-term debt	100,958	102,288	-	-	100,958	102,288
Water and sewer	-	-	2,716,292	2,449,594	2,716,292	2,449,594
Total expenses	3,413,424	3,695,891	2,716,292	2,449,594	6,129,716	6,145,485
Increase in net assets before transfers	1,936,829	430,780	524,492	(99,651)	2,461,321	331,129
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	1,936,829	430,780	524,492	(99,651)	2,461,321	331,129
Net assets - beginning of year, as restated	8,566,576	8,135,796	8,103,012	8,202,663	16,669,588	16,338,459
Net assets - end of year	\$ 10,503,405	\$ 8,566,576	\$ 8,627,504	\$ 8,103,012	\$ 19,130,909	\$ 16,669,588

Governmental activities. Governmental activities increased the City's net assets by \$1,936,829, accounting for 78.7% of the total growth in the net assets of the City. This represents a 22.6% increase in governmental activities net assets and is primarily attributable to a \$1,163,528 increase in capital grants and contributions.

Business-type activities. Business-type activities increased the City's net assets by \$524,492. This increase is primarily due to a \$807,924 increase in capital grants and contributions.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,186,443, an increase of \$534,826 from the prior year, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$434,058, all of which was unreserved, undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund revenues. Unreserved fund balance represents 16.3 percent of total general fund revenues and other financing sources. Unreserved fund balance increased by \$40,136 during the current fiscal year, which was \$117,070 less than planned use of fund balance as provided in the final budget.

The major street fund reported a decrease in total fund balance of \$99,179. Final budget estimates anticipated higher expenditures than actually occurred.

The municipal street fund reported a decrease in total fund balance of \$18,947, which was also less than anticipated from the final budget.

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

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$684,416. The fund had an increase in net assets for the year of \$531,695. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies and several supplemental appropriations.

For the year, general fund budgetary estimates for revenues were less than and expenditures were greater than actual, resulting in a net decrease in fund balance that was \$117,070 less than anticipated in the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$24,372,068 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 14.10%, and for business-type activities increased by 14.22%. Overall, total net capital assets for the City increased 14.17%.

Major capital asset events during the current fiscal year included infrastructure additions of over \$717,000 and water and sewer system additions of over \$2,185,000.

City of Grand Ledge's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,241,154	\$ 1,208,849	\$ 546,763	\$ 466,213	\$ 1,787,917	\$ 1,675,062
Land improvements	1,738,562	1,433,849	-	-	1,738,562	1,433,849
Buildings and systems	1,752,904	1,316,416	13,049,521	11,359,380	14,802,425	12,675,796
Equipment	447,070	485,056	157,901	216,089	604,971	701,145
Infrastructure	5,438,193	4,861,388	-	-	5,438,193	4,861,388
Total	\$ 10,617,883	\$ 9,305,558	\$ 13,754,185	\$ 12,041,682	\$ 24,372,068	\$ 21,347,240

Additional information on the City's capital assets can be found in Note 3-C. on pages 41-43 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,588,288. Of this amount, \$9,068,288 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

City of Grand Ledge's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 1,653,288	\$ 1,812,602	\$ -	\$ -	\$ 1,653,288	\$ 1,812,602
Revenue bonds	-	-	520,000	600,000	520,000	600,000
Capital lease (Eaton County)	-	-	7,415,000	7,690,000	7,415,000	7,690,000
Total	\$ 1,653,288	\$ 1,812,602	\$ 7,935,000	\$ 8,290,000	\$ 9,588,288	\$ 10,102,602

The City's total bonded debt decreased by \$514,314 (5.1 percent) during the current fiscal year.

The City's underlying credit rating for its general obligation unlimited tax bonds is currently A- as rated by Standard & Poors.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$26,085,798, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-F. on pages 44-50 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2007-08 fiscal year:

- No growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund increased by \$40,136 to \$434,058.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 200 East Jefferson, Grand Ledge, Michigan 48837-1537.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,021,357	\$ 2,696,239	\$ 4,717,596	\$ 1,150,853
Receivables	377,821	691,883	1,069,704	80,371
Internal balances	(25,298)	25,298	-	-
Prepaid items and other assets	53,309	127,886	181,195	1,991
Capital assets not being depreciated	1,241,154	546,763	1,787,917	3,052,808
Capital assets being depreciated, net	9,376,729	13,207,422	22,584,151	1,814,211
Total assets	13,045,072	17,295,491	30,340,563	6,100,234
Liabilities				
Accounts payable and accrued expenses	168,236	363,537	531,773	608,362
Accrued interest payable	32,526	86,347	118,873	85,476
Unearned revenue	9,641	-	9,641	466,117
Long-term liabilities:				
Due within one year	244,189	369,650	613,839	686,237
Due in more than one year	2,087,075	7,848,453	9,935,528	5,472,636
Total liabilities	2,541,667	8,667,987	11,209,654	7,318,828
Net Assets				
Invested in capital assets, net of related debt	8,508,540	7,917,790	16,426,330	1,178,050
Restricted for:				
Debt service	17,307	-	17,307	36,425
Capital projects	637,884	-	637,884	-
Perpetual care - expendable	12,245	-	12,245	-
Perpetual care - nonexpendable	68,730	-	68,730	-
Unrestricted (deficit)	1,258,699	709,714	1,968,413	(2,433,069)
Total net assets (deficit)	\$ 10,503,405	\$ 8,627,504	\$ 19,130,909	\$ (1,218,594)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 599,358	\$ 326,966	\$ 5,468	\$ 735,810	\$ 468,886
Public safety	1,431,819	58,170	126,911	-	(1,246,738)
Highways and streets	1,018,561	10,959	476,097	493,002	(38,503)
Recreation and cultural	262,728	112,357	-	-	(150,371)
Interest on long-term debt	100,958	-	12,000	-	(88,958)
Total governmental activities	<u>3,413,424</u>	<u>508,452</u>	<u>620,476</u>	<u>1,228,812</u>	<u>(1,055,684)</u>
Business-type activities:					
Water and sewer	<u>2,716,292</u>	<u>2,247,999</u>	<u>-</u>	<u>807,924</u>	<u>339,631</u>
Total primary government	<u>\$ 6,129,716</u>	<u>\$ 2,756,451</u>	<u>\$ 620,476</u>	<u>\$ 2,036,736</u>	<u>\$ (716,053)</u>
Component units					
Emergency services	\$ 1,174,333	\$ 343,450	\$ -	\$ -	\$ (830,883)
Economic development	654,991	-	-	-	(654,991)
Total component units	<u>\$ 1,829,324</u>	<u>\$ 343,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,485,874)</u>

continued...

City of Grand Ledge, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (1,055,684)	\$ 339,631	\$ (716,053)	\$ (1,485,874)
General revenues:				
Property taxes	2,114,213	-	2,114,213	1,953,908
Grants and contributions not restricted to specific programs	730,553	-	730,553	69,061
Unrestricted investment earnings	147,747	184,861	332,608	59,461
Total general revenues	2,992,513	184,861	3,177,374	2,082,430
Change in net assets	1,936,829	524,492	2,461,321	596,556
Net assets (deficit), beginning of year	8,566,576	8,103,012	16,669,588	(1,815,150)
Net assets (deficit), end of year	\$ 10,503,405	\$ 8,627,504	\$ 19,130,909	\$ (1,218,594)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 120,883	\$ 304,926	\$ 105,083	\$ 866,887	\$ 1,397,779
Receivables:					
Taxes	8,765	-	2,629	876	12,270
Special assessments	-	-	48,795	-	48,795
Accounts	56,222	-	-	7,301	63,523
Note	-	-	-	32,723	32,723
Interfund receivable	188,575	-	-	-	188,575
Advances to component unit	-	-	-	436,973	436,973
Due from other governments	132,429	52,594	-	34,764	219,787
	<u>\$ 506,874</u>	<u>\$ 357,520</u>	<u>\$ 156,507</u>	<u>\$ 1,379,524</u>	<u>\$ 2,400,425</u>
<u>TOTAL ASSETS</u>					
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 28,788	\$ 5,197	\$ 187	\$ 49,577	\$ 83,749
Salaries payable	35,263	1,939	997	17,353	55,552
Interfund payable	-	-	-	13,616	13,616
Deferred revenue	8,765	-	51,424	876	61,065
Total liabilities	<u>72,816</u>	<u>7,136</u>	<u>52,608</u>	<u>81,422</u>	<u>213,982</u>
Fund balances					
Reserved for advances	-	-	-	436,973	436,973
Unreserved:					
Designated for subsequent year	-	204,006	31,120	273,239	508,365
Undesignated	434,058	146,378	72,779	-	653,215
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	300,942	300,942
Debt service funds	-	-	-	17,307	17,307
Capital projects fund	-	-	-	200,911	200,911
Permanent fund	-	-	-	68,730	68,730
Total fund balances	<u>434,058</u>	<u>350,384</u>	<u>103,899</u>	<u>1,298,102</u>	<u>2,186,443</u>
	<u>\$ 506,874</u>	<u>\$ 357,520</u>	<u>\$ 156,507</u>	<u>\$ 1,379,524</u>	<u>\$ 2,400,425</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>					

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds \$ 2,186,443

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	13,229,130
Deduct - accumulated depreciation	(2,953,718)

Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	328,086
--	---------

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	51,424
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(2,122,449)
Add - unamortized discount on bonds	13,106
Add - unamortized bond issuance costs	21,289
Deduct - accrued interest on bonds payable	(32,526)
Deduct - compensated absences	(217,380)
	(2,117,960)

Net assets of governmental activities \$ 10,503,405

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenue					
Taxes	\$ 1,539,395	\$ -	\$ 439,299	\$ 142,915	\$ 2,121,609
Licenses and permits	167,089	-	-	-	167,089
Intergovernmental	793,922	342,596	-	194,847	1,331,365
Charges for services	7,762	-	-	101,145	108,907
Fines and forfeitures	18,542	-	-	-	18,542
Investment income	48,632	13,993	8,685	78,072	149,382
Other	82,371	5,418	6,562	127,227	221,578
	<u>2,657,713</u>	<u>362,007</u>	<u>454,546</u>	<u>644,206</u>	<u>4,118,472</u>
Expenditures					
Current:					
General government	357,943	-	-	209,470	567,413
Public safety	1,371,832	-	-	69,412	1,441,244
Highway and streets	76,827	461,186	77,780	449,331	1,065,124
Recreation and cultural	-	-	-	207,658	207,658
Capital outlay	-	-	-	143,061	143,061
Debt service:					
Principal	-	-	16,733	198,853	215,586
Interest and fiscal charges	-	-	8,701	87,240	95,941
	<u>1,806,602</u>	<u>461,186</u>	<u>103,214</u>	<u>1,365,025</u>	<u>3,736,027</u>
Revenue over (under) expenditures	<u>851,111</u>	<u>(99,179)</u>	<u>351,332</u>	<u>(720,819)</u>	<u>382,445</u>
Other financing sources (uses)					
Transfers in	-	-	-	1,324,707	1,324,707
Transfers out	(810,975)	-	(370,279)	(143,453)	(1,324,707)
Transfers from component units	-	-	-	12,000	12,000
Loan proceeds	-	-	-	140,381	140,381
	<u>(810,975)</u>	<u>-</u>	<u>(370,279)</u>	<u>1,333,635</u>	<u>152,381</u>
Total other financing sources (uses)	<u>(810,975)</u>	<u>-</u>	<u>(370,279)</u>	<u>1,333,635</u>	<u>152,381</u>
Net changes in fund balances	40,136	(99,179)	(18,947)	612,816	534,826
Fund balances, beginning of year	<u>393,922</u>	<u>449,563</u>	<u>122,846</u>	<u>685,286</u>	<u>1,651,617</u>
Fund balances, end of year	<u>\$ 434,058</u>	<u>\$ 350,384</u>	<u>\$ 103,899</u>	<u>\$ 1,298,102</u>	<u>\$ 2,186,443</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 534,826

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	427,076
Add - capital contributions	1,228,812
Deduct - depreciation expense	(298,070)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds from the issuance of debt	(140,381)
Add - principal payments on long-term liabilities	215,586

Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental and enterprise funds. The net revenue (expense) attributable to those funds is reported with governmental and business-type activities.

Deduct - investment loss from governmental internal service funds	(1,635)
Add - net operating income from governmental activities in internal service funds	(29,238)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Add - deferred special assessments	(7,396)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(5,017)
Add - decrease in the accrual for compensated absences	12,266

Change in net assets of governmental activities \$ 1,936,829

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues				
Taxes	\$ 1,538,527	\$ 1,538,527	\$ 1,539,395	\$ 868
Licenses and permits	178,000	178,000	167,089	(10,911)
Intergovernmental	853,250	835,281	793,922	(41,359)
Charges for services	13,900	13,900	7,762	(6,138)
Fines and forfeitures	17,000	17,000	18,542	1,542
Interest	25,000	25,000	48,632	23,632
Other	46,275	46,275	82,371	36,096
	<u>2,671,952</u>	<u>2,653,983</u>	<u>2,657,713</u>	<u>3,730</u>
Expenditures				
General government				
Legislative	11,270	11,270	8,877	(2,393)
Tax sharing	21,000	21,193	21,192	(1)
Cable TV	2,645	2,645	1,911	(734)
City administrator	189,820	193,795	186,738	(7,057)
Elections	24,915	26,265	15,879	(10,386)
Auditing	20,950	20,950	20,700	(250)
Assessing	67,791	67,866	63,779	(4,087)
Attorney	40,500	40,500	27,014	(13,486)
City clerk	98,515	96,808	88,274	(8,534)
Finance	149,642	149,880	145,863	(4,017)
City hall	88,490	96,309	78,805	(17,504)
Recycling	23,073	23,073	16,912	(6,161)
Economic development	-	60,000	60,000	-
Other	43,896	43,821	34,537	(9,284)
Less reimbursements	(412,538)	(412,538)	(412,538)	-
Total general government	<u>369,969</u>	<u>441,837</u>	<u>357,943</u>	<u>(83,894)</u>
Public safety				
Police	1,240,411	1,230,243	1,219,841	(10,402)
Building inspection	106,237	106,237	85,991	(20,246)
Planning commission	12,080	12,080	11,843	(237)
Zoning	50,432	53,845	54,157	312
Total public safety	<u>1,409,160</u>	<u>1,402,405</u>	<u>1,371,832</u>	<u>(30,573)</u>
Highway and streets				
Street lighting	71,000	76,700	76,827	127
Total expenditures	<u>1,850,129</u>	<u>1,920,942</u>	<u>1,806,602</u>	<u>(114,340)</u>
Revenues over (under) expenditures	<u>821,823</u>	<u>733,041</u>	<u>851,111</u>	<u>118,070</u>

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Other financing sources (uses)				
Transfers out	\$ (799,895)	\$ (810,975)	\$ (810,975)	\$ -
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Total other sources (uses)	<u>(798,895)</u>	<u>(809,975)</u>	<u>(810,975)</u>	<u>(1,000)</u>
Net change in fund balance	22,928	(76,934)	40,136	117,070
Fund balance, beginning of year	<u>393,922</u>	<u>393,922</u>	<u>393,922</u>	<u>-</u>
Fund balance, end of year	<u>\$ 416,850</u>	<u>\$ 316,988</u>	<u>\$ 434,058</u>	<u>\$ 117,070</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Major Street
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues				
Intergovernmental	\$ 387,786	\$ 369,236	\$ 342,596	\$ (26,640)
Interest	10,000	10,000	13,993	3,993
Other	3,000	3,000	5,418	2,418
	<u>400,786</u>	<u>382,236</u>	<u>362,007</u>	<u>(20,229)</u>
Expenditures				
Highways and streets	<u>593,995</u>	<u>593,995</u>	<u>461,186</u>	<u>(132,809)</u>
Net change in fund balance	(193,209)	(211,759)	(99,179)	112,580
Fund balance, beginning of year	<u>449,563</u>	<u>449,563</u>	<u>449,563</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 256,354</u></u>	<u><u>\$ 237,804</u></u>	<u><u>\$ 350,384</u></u>	<u><u>\$ 112,580</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Municipal Street
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				Final Budget
Revenues				
Taxes	\$ 442,900	\$ 442,900	\$ 439,299	\$ (3,601)
Interest	3,000	3,000	8,685	5,685
Other	9,600	9,600	6,562	(3,038)
	<u>455,500</u>	<u>455,500</u>	<u>454,546</u>	<u>(954)</u>
Total revenues				
Expenditures				
Highways and streets	92,171	97,181	77,780	(19,401)
Debt service:				
Principal	16,734	16,734	16,733	(1)
Interest	8,705	8,705	8,701	(4)
	<u>117,610</u>	<u>122,620</u>	<u>103,214</u>	<u>(19,406)</u>
Total expenditures				
Revenues over (under) expenditures	337,890	332,880	351,332	18,452
Other financing sources (uses)				
Transfers out	(330,279)	(370,279)	(370,279)	-
Net change in fund balance	7,611	(37,399)	(18,947)	18,452
Fund balance, beginning of year	<u>122,846</u>	<u>122,846</u>	<u>122,846</u>	<u>-</u>
Fund balance, end of year	<u>\$ 130,457</u>	<u>\$ 85,447</u>	<u>\$ 103,899</u>	<u>\$ 18,452</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 394,943	\$ 186,605
Cash on deposit with Eaton County	2,301,296	-
Accounts receivable	572,122	723
Advances to component unit	119,761	-
Prepaid items	-	32,020
Unamortized bond issuance costs	127,886	-
Total current assets	3,516,008	219,348
Noncurrent assets:		
Capital assets, net	13,754,185	342,471
Total assets	17,270,193	561,819
Liabilities		
Current liabilities:		
Accounts payable	348,705	28,427
Salaries payable	14,832	508
Interfund payable	-	174,959
Accrued interest payable	86,347	-
Accrued compensated absences	9,650	545
Bonds and leases payable, current portion	360,000	-
Total current liabilities	819,534	204,439
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	70,762	3,996
Bonds and leases payable, net of current portion	7,777,691	-
Total noncurrent liabilities	7,848,453	3,996
Total liabilities	8,667,987	208,435
Net assets		
Invested in capital assets, net of related debt	7,917,790	342,471
Unrestricted	684,416	10,913
	\$ 8,602,206	\$ 353,384

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Net Assets on the Statement of
Net Assets for the Enterprise Fund to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2007

Net assets - enterprise fund \$ 8,602,206

Amounts reported for *business-type activities* in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Add - cumulative portion of internal service fund net income
attributed to business-type activities

25,298

Net assets of business-type activities

\$ 8,627,504

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services:		
Water operations	\$ 1,191,401	\$ -
Sewer operations	1,056,598	-
Internal operations	-	812,266
Other revenue	-	1,233
Total operating revenues	2,247,999	813,499
Operating expenses		
Personnel	754,934	729,419
Repair and maintenance	214,491	40,685
Utilities	145,873	5,438
Other	740,549	28,905
Depreciation	473,464	45,493
Total operating expenses	2,329,311	849,940
Operating loss	(81,312)	(36,441)
Non-operating revenue (expense)		
Intergovernmental	807,924	-
Investment income (loss)	184,861	(1,635)
Interest expense	(379,778)	-
Total non-operating expense	613,007	(1,635)
Change in net assets	531,695	(38,076)
Net assets, beginning of year	8,070,511	391,460
Net assets, end of year	\$ 8,602,206	\$ 353,384

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenses
and Change in Fund Net Assets of the Enterprise Fund
to the Statement of Activities
For the Year Ended June 30, 2007

Change in net assets - enterprise fund	\$ 531,695
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Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Deduct - operating loss from internal service fund related to enterprise fund	<u>(7,203)</u>
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Change in net assets of business-type activities	<u><u>\$ 524,492</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,139,957	\$ -
Cash received from interfund services	-	794,503
Cash payments to suppliers for goods and services	(925,174)	(700,776)
Cash payments to employees	(549,530)	(83,892)
Cash payments for interfund services	(198,607)	-
	<u>466,646</u>	<u>9,835</u>
Cash flows from non-capital financing activities		
Advances to component unit	<u>73,143</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,185,967)	-
Intergovernmental grants	807,924	-
Long-term debt principal payments	(355,000)	-
Interest payments on long-term debt	(358,214)	-
Net cash provided (used) by capital and related financing activities	<u>(2,091,257)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>171,469</u>	<u>(1,635)</u>
Net (decrease) increase in cash and cash equivalents	(1,379,999)	8,200
Cash and cash equivalents:		
Beginning of year	<u>4,076,238</u>	<u>178,405</u>
End of year	<u>\$ 2,696,239</u>	<u>\$ 186,605</u>
Reconciliation of cash and cash equivalents per Statement of Net Assets:		
Cash and cash equivalents	\$ 394,943	\$ 186,605
Cash on deposit with Eaton County	2,301,296	-
	<u>\$ 2,696,239</u>	<u>\$ 186,605</u>

Continued...

City of Grand Ledge, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer Enterprise Fund</u>	<u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	\$ (81,312)	\$ (36,441)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	473,464	45,493
Change in assets and liabilities:		
Accounts receivable	(108,042)	1,127
Prepaid expenses	-	(3,897)
Accounts payable	175,739	20,425
Salaries payable	2,238	(76)
Interfund payable	-	(17,763)
Accrued compensated absences	4,559	967
Net cash provided by operating activities	<u>\$ 466,646</u>	<u>\$ 9,835</u>
 Non-Cash		
Capital contributions	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

	<u>Total</u>
Assets	
Cash and cash equivalents	\$ 19,399
Receivables	<u>7,375</u>
Total assets	<u><u>\$ 26,774</u></u>
Liabilities	
Accounts payable	\$ 486
Undistributed receipts	<u>26,288</u>
Total liabilities	<u><u>\$ 26,774</u></u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Component Units
June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Assets				
Cash and cash equivalents	\$ 375,502	\$ -	\$ 775,351	\$ 1,150,853
Receivables	-	-	80,371	80,371
Prepaid items and other assets	-	-	1,991	1,991
Capital assets not being depreciated	116,132	2,585,310	351,366	3,052,808
Capital assets being depreciated, net	1,206,526	-	607,685	1,814,211
Total assets	1,698,160	2,585,310	1,816,764	6,100,234
Liabilities				
Accounts payable and accrued expenses	3,660	917	47,051	51,628
Accrued interest payable	26,267	42,496	16,713	85,476
Unearned revenue	-	-	466,117	466,117
Advances from primary government	-	556,734	-	556,734
Long-term liabilities:				
Due within one year	356,750	227,688	101,799	686,237
Due in more than one year	3,035,400	1,747,381	689,855	5,472,636
Total liabilities	3,422,077	2,575,216	1,321,535	7,318,828
Net Assets				
Invested in capital assets, net of related debt	342,658	610,241	225,151	1,178,050
Restricted for debt service	36,425	-	-	36,425
Unrestricted (deficit)	(2,103,000)	(600,147)	270,078	(2,433,069)
Total net assets (deficit)	\$ (1,723,917)	\$ 10,094	\$ 495,229	\$ (1,218,594)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2007

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Grand Ledge Area Emergency Services Authority</u>	<u>Total</u>
Expenses				
Emergency services	\$ -	\$ -	\$ 1,147,191	\$ 1,147,191
Economic development	285,428	83,104	-	368,532
Interest on long-term debt	170,775	115,684	27,142	313,601
Total expenses	<u>456,203</u>	<u>198,788</u>	<u>1,174,333</u>	<u>1,829,324</u>
Program revenues				
Charges for services	-	-	343,450	343,450
Total program revenues	<u>-</u>	<u>-</u>	<u>343,450</u>	<u>343,450</u>
Net program revenues (expense)	<u>(456,203)</u>	<u>(198,788)</u>	<u>(830,883)</u>	<u>(1,485,874)</u>
General revenues				
Property taxes	1,040,149	7,378	906,381	1,953,908
Grants and contributions not restricted to specific programs	9,061	60,000	-	69,061
Unrestricted investment earnings	36,805	6	22,650	59,461
Total general revenues	<u>1,086,015</u>	<u>67,384</u>	<u>929,031</u>	<u>2,082,430</u>
Change in net assets	629,812	(131,404)	98,148	596,556
Net assets (deficit), beginning of year	<u>(2,353,729)</u>	<u>141,498</u>	<u>397,081</u>	<u>(1,815,150)</u>
Net assets (deficit), end of year	<u><u>\$ (1,723,917)</u></u>	<u><u>\$ 10,094</u></u>	<u><u>\$ 495,229</u></u>	<u><u>\$ (1,218,594)</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CITY OF GRAND LEDGE, MICHIGAN

Index

Notes to the Financial Statements

June 30, 2007

	<u>PAGE</u>
I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	32
B. Government-wide and Fund Financial Statements.....	33
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	33
D. Assets, Liabilities, and Net Assets/Equity.....	36
II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
A. Budgetary Information	38
B. Excess of Expenditures Over Appropriations	38
III. DETAILED NOTES ON ALL FUNDS	
A. Deposits and Investments	39
B. Receivables.....	40
C. Capital Assets	41
D. Payables.....	43
E. Interfund Receivables, Payables and Transfers.....	43
F. Long-term Debt	44
IV. OTHER INFORMATION	
A. Risk Management.....	51
B. Property Taxes.....	51
C. Other Postemployment Benefits.....	52
D. Pension Plan	52
E. Contingent Liabilities	52
F. State Construction Code Act Compliance	53

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

Discretely presented component units.

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA may be obtained from the City of Grand Ledge.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances.

The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

The Grand Ledge Area Emergency Services Authority (GLAESA) was established on October 1, 2001 under the provisions of Public Act 57 of 1988 to provide fire protection and rescue services within the boundaries of the City of Grand Ledge and the Township of Oneida (the incorporating municipalities). GLAESA is governed by a five-member board consisting of three members appointed by the City and two by the Township. GLAESA relies on funding for its operations from the City and Township. Financial statements for GLAESA may be obtained by writing the Authority at 500 North Clinton Street, Grand Ledge, Michigan 48837.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

B. Government-wide and fund financial statements

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

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *major street fund* accounts for the maintenance of all major streets; revenues are derived primarily from Public Act 51 gas and weight tax monies shared by the State of Michigan.

The *municipal street fund* accounts for property tax revenues specifically dedicated by City Ordinance for street projects.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

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

Capital projects fund. This fund accounts for the acquisition or construction of major capital projects not being financed by proprietary funds.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs, specifically the cemetery.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

Agency funds. These funds account for assets held for other governments in an agency capacity.

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

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 wastewater and water enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

D. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

2. *Receivables and payables*

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

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and plants	20-40
Public domain infrastructure	50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

5. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$5,000 to \$7,500. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

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

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

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

7. *Fund equity*

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the General Fund is adopted at the department level; all other budgets are adopted on a functional level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. **Excess of expenditures over appropriations**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2007, the government had the following expenditures in excess of the amounts appropriated at the legal level of budgetary control:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General fund -			
Highways and streets	\$ 76,700	\$ 76,827	\$ (127)
Nonmajor special revenue funds:			
Parks and recreation fund -			
Capital outlay	141,000	143,061	(2,061)
Airport development fund -			
General government	45,158	58,801	(13,643)

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year-end, the carrying amounts of deposits for the City and component units were \$2,435,094 and \$713,880, respectively. The combined bank balance was \$3,366,024. Of the bank balance, \$2,966,024 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

The cash on deposit with Eaton County is pooled with other County funds, and therefore, the amount of these funds exposed to custodial credit risk cannot be determined.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, neither the City nor its component units had any investments.

The City's investment policies conform with State guidelines.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents		
Statement of Net Assets	\$ 4,717,596	\$ 713,880
Statement of Fiduciary Net Assets	<u>19,399</u>	<u>-</u>
	<u>\$ 4,736,995</u>	<u>\$ 713,880</u>
	<u>Primary Government</u>	<u>Component Units</u>
Bank deposits (checking accounts)	\$ 2,435,094	\$ 713,880
Cash on deposit with Eaton County	2,301,296	-
Cash on hand	<u>605</u>	<u>-</u>
	<u>\$ 4,736,995</u>	<u>\$ 713,880</u>

B. Receivables

Receivables in the governmental activities are 58 percent due from other governments and 42 percent other receivables. Business-type activities receivables are 79 percent due from customers and 21 percent due from other governments.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred revenue reported in governmental funds	<u>\$ 51,424</u>	<u>\$ 9,641</u>	<u>\$ 61,065</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Capital assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,208,849	\$ 32,305	\$ -	\$ 1,241,154
Capital assets, being depreciated:				
Land improvements	1,665,350	360,963	-	2,026,313
Buildings	2,050,575	511,854	-	2,562,429
Equipment	1,079,595	32,847	(8,647)	1,103,795
Infrastructure	6,337,789	717,919	-	7,055,708
Total capital assets being depreciated	<u>11,133,309</u>	<u>1,623,583</u>	<u>(8,647)</u>	<u>12,748,245</u>
Less accumulated depreciation for:				
Land improvements	(231,501)	(56,250)	-	(287,751)
Buildings	(734,159)	(75,366)	-	(809,525)
Equipment	(594,539)	(70,833)	8,647	(656,725)
Infrastructure	(1,476,401)	(141,114)	-	(1,617,515)
Total accumulated depreciation	<u>(3,036,600)</u>	<u>(343,563)</u>	<u>8,647</u>	<u>(3,371,516)</u>
Total capital assets, being depreciated, net	<u>8,096,709</u>	<u>1,280,020</u>	<u>-</u>	<u>9,376,729</u>
Governmental activities capital assets, net	<u>\$ 9,305,558</u>	<u>\$ 1,312,325</u>	<u>\$ -</u>	<u>\$ 10,617,883</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 466,213	\$ 80,550	\$ -	\$ 546,763
Capital assets, being depreciated:				
Buildings and systems	17,008,253	2,105,417	-	19,113,670
Equipment	926,311	-	-	926,311
Total capital assets being depreciated	<u>17,934,564</u>	<u>2,105,417</u>	<u>-</u>	<u>20,039,981</u>
Less accumulated depreciation for:				
Buildings and systems	(5,648,873)	(415,276)	-	(6,064,149)
Equipment	(710,222)	(58,188)	-	(768,410)
Total accumulated depreciation	<u>(6,359,095)</u>	<u>(473,464)</u>	<u>-</u>	<u>(6,832,559)</u>
Total capital assets, being depreciated, net	<u>11,575,469</u>	<u>1,631,953</u>	<u>-</u>	<u>13,207,422</u>
Business-type activities capital assets, net	<u>\$12,041,682</u>	<u>\$ 1,712,503</u>	<u>\$ -</u>	<u>\$ 13,754,185</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 64,078
Public safety	18,283
Highways, including depreciation of general infrastructure assets	161,857
Parks and recreation	53,852
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	45,493
Total depreciation expense - governmental activities	<u>\$ 343,563</u>
Business-type activities -	
Water and sewer	<u>\$ 473,464</u>

Discretely presented component units

Capital assets activity for the discretely presented component units for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Downtown Development Authority				
Capital assets, not being depreciated:				
Land	\$ 116,132	\$ -	\$ -	\$ 116,132
Capital assets, being depreciated:				
Land improvements	1,244,603	193,954	-	1,438,557
Less accumulated depreciation for:				
Land improvements	(174,489)	(57,542)	-	(232,031)
Total capital assets, being depreciated, net	1,070,114	136,412	-	1,206,526
DDA capital assets, net	<u>\$ 1,186,246</u>	<u>\$ 136,412</u>	<u>\$ -</u>	<u>\$ 1,322,658</u>
Local Development Finance Authority				
Capital assets, not being depreciated:				
Land	\$ 2,692,412	\$ -	\$ (107,102)	\$ 2,585,310

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Grand Ledge Area Emergency Services Authority				
Capital assets, not being depreciated:				
Land	\$ 351,366	\$ -	\$ -	\$ 351,366
Capital assets, being depreciated:				
Equipment	1,157,653	1,310	(10,000)	1,148,963
Less accumulated depreciation for:				
Equipment	(455,998)	(91,613)	6,333	(541,278)
Total capital assets, being depreciated, net	701,655	(90,303)	(3,667)	607,685
GLAESA capital assets, net	\$ 1,053,021	\$ (90,303)	\$ (3,667)	\$ 959,051

D. Payables

Payables in the governmental activities are 67 percent vendors and 33 percent payroll and deposits. Business-type activities payables are 96 percent vendors and 4 percent payroll and deposits.

E. Interfund receivables, payables and transfers

At June 30, 2007, the general fund reported an interfund receivable of \$188,575 due from nonmajor governmental funds (\$13,616) and internal service funds (\$174,959) representing negative cash balances in those funds. Also, the water and sewer enterprise fund reported advances receivable from the Local Development Finance Authority of \$119,761; a like payable was reported by the LDFA.

For the year ended June 30, 2007, interfund transfers consisted of the following:

	Transfer From:			
General Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total	
Transfer To:				
Nonmajor governmental	\$ 810,975	\$ 370,279	\$ 143,453	\$ 1,324,707

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as the component units. The original amount of general obligation bonds issued in prior years for the governmental activities debt listed below was \$4,439,721.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities		
1997 drain	6.27%	\$ 97,537
1997 drain	6.27%	46,852
2001 drain	5.0-5.3%	229,579
2001 bridge improvement	4.1-6.0%	335,000
2004 capital improvement	2.5-3.6%	910,000
2006 drain	5.28%	34,320
		\$ 1,653,288
Discretely presented component units		
DDA		
1998 refunding	3.9-4.850%	\$ 2,265,000
2001 parking lot	4.0-4.875%	980,000
LDFA		
2001 transportation	4.83%	185,000
2002 capital improvement	5.0-7.0%	440,000
		\$ 3,870,000

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2008	\$ 164,316	\$ 69,724	\$ 370,000	\$ 180,972
2009	169,315	62,975	390,000	164,494
2010	169,316	55,742	390,000	147,012
2011	179,316	48,494	390,000	129,361
2012	184,311	40,866	385,000	111,417
2013-2017	638,794	102,536	1,380,000	297,111
2018-2022	147,920	23,104	525,000	79,545
2023	-	-	40,000	1,100
	<u>\$ 1,653,288</u>	<u>\$ 403,441</u>	<u>\$ 3,870,000</u>	<u>\$ 1,111,012</u>

Revenue bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,825,192. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
1992 water	2.0%	<u>\$ 520,000</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2008	\$ 80,000	\$ 10,400
2009	85,000	8,800
2010	85,000	7,100
2011	90,000	5,400
2012	90,000	3,600
2013	90,000	1,800
	<u>\$ 520,000</u>	<u>\$ 37,100</u>

Capital lease. During fiscal 2005, the government entered into a capital lease agreement with Eaton County for \$7,975,000 pursuant to the issuance of revenue and refunding bonds on behalf of the City by the County. The government pledges income derived from its water and sewer operations to pay debt service. Upon retirement of the underlying bonded debt, title to the capital assets will pass from the County to the City.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
2005 Eaton County revenue/refunding bond	3.5-5.0%	<u>\$ 7,415,000</u>
Component units		
GLAESA		
2004 ambulances		<u>\$ 165,837</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for capital leases are as follows:

Year Ended June 30	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2008	\$ 280,000	\$ 334,988	\$ 29,491	\$ 9,746
2009	280,000	325,188	31,225	8,013
2010	290,000	315,386	33,060	6,178
2011	300,000	305,238	35,001	4,235
2012	315,000	293,238	37,060	2,178
2013-2017	1,885,000	1,247,162	-	-
2018-2022	2,375,000	740,060	-	-
2023-2025	1,690,000	151,583	-	-
	\$ 7,415,000	\$ 3,712,843	\$ 165,837	\$ 30,350

Purchase agreements. The government has entered into various installment purchase agreements for the acquisition of real property and equipment. The original amount of these obligations for the primary government was \$745,726. One new purchase agreement amounting to \$140,381 was entered into during the current year.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Purpose	Interest Rates	Amount
Governmental activities		
1998 purchase contract (River Street)	5.19%	\$ 10,150
2001 purchase contract (Osmer Property)	5.20%	150,600
2001 loan (Cemetery)	6.00%	32,722
2006 purchase contract (River Street)	4.20%	144,667
2007 purchase contract (River Street)	4.20%	131,022
		\$ 469,161
 Component units		
DDA		
1998 purchase contract (Larson)	5.0%	\$ 51,850
1998 purchase contract (Kingroy)	5.0%	95,300
L DFA		
1998 purchase agreement (Olinger Property)	4.62%	43,400
2001 loan (Installment)	5.0%	55,092
2001 loan (State of Michigan)	0.0%	399,999
2002 purchase agreement (Willis Property)	4.36%	851,578
GLAESA		
Fire apparatus	4.76%	228,783
Land	4.88%	339,280
		\$ 2,065,282

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for purchase agreements are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2008	\$ 53,242	\$ 21,782	\$ 272,421	\$ 75,423
2009	45,009	18,489	269,572	69,220
2010	46,350	16,317	269,041	69,423
2011	35,517	14,074	268,256	50,037
2012	36,269	12,500	249,112	40,348
2013-2017	174,007	37,320	292,830	79,080
2018-2022	78,767	7,237	225,072	50,850
2023-2026	-	-	218,978	20,971
	\$ 469,161	\$ 127,719	\$ 2,065,282	\$ 455,352

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities					
General obligation bonds	\$ 1,812,602	\$ -	\$ 159,314	\$ 1,653,288	\$ 164,316
Purchase agreements	385,052	140,381	56,272	469,161	53,242
Compensated absences	233,217	193,893	205,189	221,921	26,631
Deduct deferred amounts for bond issuance costs	(14,575)	-	(1,469)	(13,106)	-
	\$ 2,416,296	\$ 334,274	\$ 419,306	\$ 2,331,264	\$ 244,189
Business-type activities					
Revenue bonds	\$ 600,000	\$ -	\$ 80,000	\$ 520,000	\$ 80,000
Capital leases	7,690,000	-	275,000	7,415,000	280,000
Compensated absences	75,853	62,924	58,365	80,412	9,650
Deduct deferred amounts for:					
Bond issuance premium	251,103	-	13,392	237,711	-
Deferred loss on refunding	(52,529)	-	(17,509)	(35,020)	-
	\$ 8,564,427	\$ 62,924	\$ 409,248	\$ 8,218,103	\$ 369,650

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Component Units</u>					
DDA					
General obligation bonds	\$ 3,565,000	\$ -	\$ 320,000	\$ 3,245,000	\$ 335,000
Purchase agreements	167,850	-	20,700	147,150	21,750
	\$ 3,732,850	\$ -	\$ 340,700	\$ 3,392,150	\$ 356,750
L DFA					
General obligation bonds	\$ 660,000	\$ -	\$ 35,000	\$ 625,000	\$ 35,000
Purchase agreements	1,431,346	-	81,277	1,350,069	192,688
	\$ 2,091,346	\$ -	\$ 116,277	\$ 1,975,069	\$ 227,688
GLAESA					
Capital leases	\$ 193,692	\$ -	\$ 27,855	\$ 165,837	\$ 29,491
Purchase agreements	623,375	-	55,312	568,063	57,983
Compensated absences	53,431	4,323	-	57,754	14,325
	\$ 870,498	\$ 4,323	\$ 83,167	\$ 791,654	\$ 101,799

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the government carried insurance through various commercial carriers to cover all risks of losses. The government has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through October 1; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The 2006 taxable value of real and personal property in the City totaled \$200,058,920 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2006-07 was 8.1023 mills, with an additional 2.4305 mills for municipal streets and 0.8100 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Other postemployment benefits

The City provides certain health care benefits for employees who retire. Substantially all employees are eligible for benefits if they reach the age of 55 with at least 25 years of credited service while working for the City. The City pays half of the cost of health insurance premiums for the retiree and his/her dependents with the exception of UAW employees where only the retiree is covered. These benefits terminate when the retiree becomes Medicare-eligible.

City contributions to finance this benefit program are currently on a pay-as-you go basis. There were no City contributions necessary for the year ended June 30, 2007.

D. Pension plan

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15%. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

The payroll for employees covered by the plan for the year ended June 30, 2007 was \$1,890,494, as compared to the City's total payroll of \$2,238,783. For fiscal 2007, the City's contribution was \$200,775 (or 10.62% of covered payroll). Employee contributions were \$180,207 (or 9.53% of covered payroll).

E. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

For the year ended June 30, 2007, the City's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	<u>\$ 84,336</u>
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Expenditures

Public safety - inspection	<u>\$ 85,991</u>
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**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

City of Grand Ledge, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds				
	Local Street	Parks and Recreation	Cemetery	Sidewalk	Drug Forfeiture
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 251,440	\$ 197,542	\$ 34,996	\$ 46,548	\$ 13,088
Taxes receivable	-	876	-	-	-
Accounts receivable	-	116	1,335	-	-
Notes receivable	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Due from other governments	20,844	-	-	-	-
	<u>\$ 272,284</u>	<u>\$ 198,534</u>	<u>\$ 36,331</u>	<u>\$ 46,548</u>	<u>\$ 13,088</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 4,851	\$ 9,586	\$ 1,357	\$ 16,760	\$ 105
Salaries payable	1,700	11,469	1,184	-	-
Interfund payable	-	-	-	-	-
Deferred revenue	-	876	-	-	-
Total liabilities	<u>6,551</u>	<u>21,931</u>	<u>2,541</u>	<u>16,760</u>	<u>105</u>
Fund balances					
Reserved for advances	-	-	-	-	-
Designated for subsequent year expenditures	125,469	106,538	20,000	-	-
Unreserved, undesignated	140,264	70,065	13,790	29,788	12,983
Total fund balances	<u>265,733</u>	<u>176,603</u>	<u>33,790</u>	<u>29,788</u>	<u>12,983</u>
	<u>\$ 272,284</u>	<u>\$ 198,534</u>	<u>\$ 36,331</u>	<u>\$ 46,548</u>	<u>\$ 13,088</u>

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ 19,137	\$ 37,666	\$ -	\$ 5,003	\$ 5,734	\$ 6,570	\$ 200,911	\$ 48,252	\$ 866,887
-	-	-	-	-	-	-	-	876
-	5,850	-	-	-	-	-	-	7,301
-	-	-	-	-	-	-	32,723	32,723
-	-	-	-	-	-	436,973	-	436,973
-	-	13,920	-	-	-	-	-	34,764
<u>\$ 19,137</u>	<u>\$ 43,516</u>	<u>\$ 13,920</u>	<u>\$ 5,003</u>	<u>\$ 5,734</u>	<u>\$ 6,570</u>	<u>\$ 637,884</u>	<u>\$ 80,975</u>	<u>\$ 1,379,524</u>
\$ 648	\$ 15,969	\$ 301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,577
-	3,000	-	-	-	-	-	-	17,353
-	-	13,616	-	-	-	-	-	13,616
-	-	-	-	-	-	-	-	876
<u>648</u>	<u>18,969</u>	<u>13,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,422</u>
-	-	-	-	-	-	436,973	-	436,973
-	8,987	-	-	-	-	-	12,245	273,239
<u>18,489</u>	<u>15,560</u>	<u>3</u>	<u>5,003</u>	<u>5,734</u>	<u>6,570</u>	<u>200,911</u>	<u>68,730</u>	<u>587,890</u>
<u>18,489</u>	<u>24,547</u>	<u>3</u>	<u>5,003</u>	<u>5,734</u>	<u>6,570</u>	<u>637,884</u>	<u>80,975</u>	<u>1,298,102</u>
<u>\$ 19,137</u>	<u>\$ 43,516</u>	<u>\$ 13,920</u>	<u>\$ 5,003</u>	<u>\$ 5,734</u>	<u>\$ 6,570</u>	<u>\$ 637,884</u>	<u>\$ 80,975</u>	<u>\$ 1,379,524</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds				
	Local Street	Parks and Recreation	Cemetery	Sidewalk	Drug Forfeiture
Revenues					
Taxes	\$ -	\$ 142,915	\$ -	\$ -	\$ -
Intergovernmental	126,939	-	-	-	-
Charges for services	-	-	60,983	-	-
Interest	13,967	9,083	3,352	4,203	708
Other	5,541	112,357	571	-	-
Total revenues	146,447	264,355	64,906	4,203	708
Expenditures					
General government	-	-	150,669	-	-
Public safety	-	-	-	-	1,064
Highways and streets	366,204	-	-	83,127	-
Recreation and culture	-	207,658	-	-	-
Capital outlay	-	143,061	-	-	-
Debt service:					
Principal	-	29,842	9,696	-	-
Interest	-	7,680	2,545	-	-
Total expenditures	366,204	388,241	162,910	83,127	1,064
Revenues over (under) expenditures	(219,757)	(123,886)	(98,004)	(78,924)	(356)
Other financing sources (uses)					
Transfers in	503,279	20,000	86,257	80,000	-
Transfers out	(111,301)	(19,910)	-	-	-
Transfers from component units	-	-	-	-	-
Loan proceeds	-	140,381	-	-	-
Total other financing sources (uses)	391,978	140,471	86,257	80,000	-
Net changes in fund balances	172,221	16,585	(11,747)	1,076	(356)
Fund balances, beginning of year	93,512	160,018	45,537	28,712	13,339
Fund balances, end of year	\$ 265,733	\$ 176,603	\$ 33,790	\$ 29,788	\$ 12,983

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,915
3,464	-	64,444	-	-	-	-	-	194,847
-	40,162	-	-	-	-	-	-	101,145
1,297	1,877	-	1,006	3,669	3,901	30,325	4,684	78,072
-	8,758	-	-	-	-	-	-	127,227
<u>4,761</u>	<u>50,797</u>	<u>64,444</u>	<u>1,006</u>	<u>3,669</u>	<u>3,901</u>	<u>30,325</u>	<u>4,684</u>	<u>644,206</u>
-	58,801	-	-	-	-	-	-	209,470
3,905	-	64,443	-	-	-	-	-	69,412
-	-	-	-	-	-	-	-	449,331
-	-	-	-	-	-	-	-	207,658
-	-	-	-	-	-	-	-	143,061
-	-	-	15,000	64,315	80,000	-	-	198,853
-	-	-	17,157	28,558	31,300	-	-	87,240
<u>3,905</u>	<u>58,801</u>	<u>64,443</u>	<u>32,157</u>	<u>92,873</u>	<u>111,300</u>	<u>-</u>	<u>-</u>	<u>1,365,025</u>
<u>856</u>	<u>(8,004)</u>	<u>1</u>	<u>(31,151)</u>	<u>(89,204)</u>	<u>(107,399)</u>	<u>30,325</u>	<u>4,684</u>	<u>(720,819)</u>
11,080	-	-	19,910	92,880	111,301	400,000	-	1,324,707
-	-	-	-	-	-	-	(12,242)	(143,453)
-	-	-	12,000	-	-	-	-	12,000
-	-	-	-	-	-	-	-	140,381
<u>11,080</u>	<u>-</u>	<u>-</u>	<u>31,910</u>	<u>92,880</u>	<u>111,301</u>	<u>400,000</u>	<u>(12,242)</u>	<u>1,333,635</u>
11,936	(8,004)	1	759	3,676	3,902	430,325	(7,558)	612,816
<u>6,553</u>	<u>32,551</u>	<u>2</u>	<u>4,244</u>	<u>2,058</u>	<u>2,668</u>	<u>207,559</u>	<u>88,533</u>	<u>685,286</u>
<u>\$ 18,489</u>	<u>\$ 24,547</u>	<u>\$ 3</u>	<u>\$ 5,003</u>	<u>\$ 5,734</u>	<u>\$ 6,570</u>	<u>\$ 637,884</u>	<u>\$ 80,975</u>	<u>\$1,298,102</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Local Street
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	141,203	133,668	126,939	(6,729)
Charges for services	-	-	-	-
Interest	6,000	6,000	13,967	7,967
Other	3,000	3,000	5,541	2,541
	<u>150,203</u>	<u>142,668</u>	<u>146,447</u>	<u>3,779</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	395,743	399,543	366,204	(33,339)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>395,743</u>	<u>399,543</u>	<u>366,204</u>	<u>(33,339)</u>
Total expenditures	<u>395,743</u>	<u>399,543</u>	<u>366,204</u>	<u>(33,339)</u>
Revenues over (under) expenditures	<u>(245,540)</u>	<u>(256,875)</u>	<u>(219,757)</u>	<u>37,118</u>
Other financing sources (uses)				
Transfers in	504,146	504,146	503,279	(867)
Transfers out	(111,301)	(111,301)	(111,301)	-
Transfers out	-	-	-	-
	<u>392,845</u>	<u>392,845</u>	<u>391,978</u>	<u>(867)</u>
Total other financing sources (uses)	<u>392,845</u>	<u>392,845</u>	<u>391,978</u>	<u>(867)</u>
Net change in fund balance	147,305	135,970	172,221	36,251
Fund balance, beginning of year	<u>93,512</u>	<u>93,512</u>	<u>93,512</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 240,817</u></u>	<u><u>\$ 229,482</u></u>	<u><u>\$ 265,733</u></u>	<u><u>\$ 36,251</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Parks and Recreation
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 143,275	\$ 143,275	\$ 142,915	\$ (360)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,500	1,500	9,083	7,583
Other	125,850	125,850	112,357	(13,493)
Total revenues	270,625	270,625	264,355	(6,270)
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	259,672	266,407	207,658	(58,749)
Capital outlay	141,000	141,000	143,061	2,061
Debt service:				
Principal	35,000	35,000	29,842	(5,158)
Interest	6,500	6,500	7,680	1,180
Total expenditures	442,172	448,907	388,241	(60,666)
Revenues over (under) expenditures	(171,547)	(178,282)	(123,886)	54,396
Other financing sources (uses)				
Transfers in	20,000	20,000	20,000	-
Transfers out	(19,910)	(19,910)	(19,910)	-
Loan proceeds	141,000	141,000	140,381	(619)
Total other financing sources (uses)	141,090	141,090	140,471	(619)
Net change in fund balance	(30,457)	(37,192)	16,585	53,777
Fund balance, beginning of year	160,018	160,018	160,018	-
Fund balance, end of year	\$ 129,561	\$ 122,826	\$ 176,603	\$ 53,777

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Cemetery
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	83,000	83,000	60,983	(22,017)
Interest	2,000	2,000	3,352	1,352
Other	2,000	2,000	571	(1,429)
	<u>87,000</u>	<u>87,000</u>	<u>64,906</u>	<u>(22,094)</u>
Expenditures				
General government	162,811	165,811	150,669	(15,142)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	9,697	9,697	9,696	(1)
Interest	2,546	2,546	2,545	(1)
	<u>175,054</u>	<u>178,054</u>	<u>162,910</u>	<u>(15,144)</u>
Revenues over (under) expenditures	<u>(88,054)</u>	<u>(91,054)</u>	<u>(98,004)</u>	<u>(6,950)</u>
Other financing sources (uses)				
Transfers in	86,257	86,257	86,257	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>86,257</u>	<u>86,257</u>	<u>86,257</u>	<u>-</u>
Net change in fund balance	(1,797)	(4,797)	(11,747)	(6,950)
Fund balance, beginning of year	<u>45,537</u>	<u>45,537</u>	<u>45,537</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 43,740</u></u>	<u><u>\$ 40,740</u></u>	<u><u>\$ 33,790</u></u>	<u><u>\$ (6,950)</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Sidewalk
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ 5,500	\$ 5,500	\$ -	\$ (5,500)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	750	750	4,203	3,453
Other	-	-	-	-
	<u>6,250</u>	<u>6,250</u>	<u>4,203</u>	<u>(2,047)</u>
Total revenues				
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	87,750	127,750	83,127	(44,623)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>87,750</u>	<u>127,750</u>	<u>83,127</u>	<u>(44,623)</u>
Total expenditures				
Revenues over (under) expenditures	<u>(81,500)</u>	<u>(121,500)</u>	<u>(78,924)</u>	<u>42,576</u>
Other financing sources (uses)				
Transfers in	40,000	80,000	80,000	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>40,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(41,500)	(41,500)	1,076	42,576
Fund balance, beginning of year	<u>28,712</u>	<u>28,712</u>	<u>28,712</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (12,788)</u></u>	<u><u>\$ (12,788)</u></u>	<u><u>\$ 29,788</u></u>	<u><u>\$ 42,576</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Drug Forfeiture
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	708	708
Other	900	900	-	(900)
	<u>900</u>	<u>900</u>	<u>-</u>	<u>(900)</u>
Total revenues	<u>900</u>	<u>900</u>	<u>708</u>	<u>(192)</u>
Expenditures				
General government	-	-	-	-
Public safety	1,700	1,700	1,064	(636)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,700</u>	<u>1,700</u>	<u>1,064</u>	<u>(636)</u>
Revenues over (under) expenditures	<u>(800)</u>	<u>(800)</u>	<u>(356)</u>	<u>444</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(800)</u>	<u>(800)</u>	<u>(356)</u>	<u>444</u>
Fund balance, beginning of year	<u>13,339</u>	<u>13,339</u>	<u>13,339</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 12,539</u></u>	<u><u>\$ 12,539</u></u>	<u><u>\$ 12,983</u></u>	<u><u>\$ 444</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Project D.A.R.E.
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,839	3,464	1,625
Charges for services	-	-	-	-
Interest	70	70	1,297	1,227
Other	-	-	-	-
	<u>70</u>	<u>1,909</u>	<u>4,761</u>	<u>2,852</u>
Expenditures				
General government	-	-	-	-
Public safety	75	5,071	3,905	(1,166)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>75</u>	<u>5,071</u>	<u>3,905</u>	<u>(1,166)</u>
Total expenditures	<u>75</u>	<u>5,071</u>	<u>3,905</u>	<u>(1,166)</u>
Revenues over (under) expenditures	<u>(5)</u>	<u>(3,162)</u>	<u>856</u>	<u>4,018</u>
Other financing sources (uses)				
Transfers in	-	830	11,080	10,250
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>830</u>	<u>11,080</u>	<u>10,250</u>
Total other financing sources (uses)	<u>-</u>	<u>830</u>	<u>11,080</u>	<u>10,250</u>
Net change in fund balance	(5)	(2,332)	11,936	14,268
Fund balance, beginning of year	<u>6,553</u>	<u>6,553</u>	<u>6,553</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,548</u></u>	<u><u>\$ 4,221</u></u>	<u><u>\$ 18,489</u></u>	<u><u>\$ 14,268</u></u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Airport Development
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	39,000	39,000	40,162	1,162
Interest	600	600	1,877	1,277
Other	-	8,757	8,758	1
	<u>39,600</u>	<u>48,357</u>	<u>50,797</u>	<u>2,440</u>
Expenditures				
General government	23,111	45,158	58,801	13,643
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>23,111</u>	<u>45,158</u>	<u>58,801</u>	<u>13,643</u>
Revenues over (under) expenditures	<u>16,489</u>	<u>3,199</u>	<u>(8,004)</u>	<u>(11,203)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	16,489	3,199	(8,004)	(11,203)
Fund balance, beginning of year	<u>32,551</u>	<u>32,551</u>	<u>32,551</u>	<u>-</u>
Fund balance, end of year	<u>\$ 49,040</u>	<u>\$ 35,750</u>	<u>\$ 24,547</u>	<u>\$ (11,203)</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Juvenile Justice Grant
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	83,678	64,444	(19,234)
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>83,678</u>	<u>64,444</u>	<u>(19,234)</u>
Total revenues	<u>-</u>	<u>83,678</u>	<u>64,444</u>	<u>(19,234)</u>
Expenditures				
General government	-	-	-	-
Public safety	-	83,678	64,443	(19,235)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>83,678</u>	<u>64,443</u>	<u>(19,235)</u>
Total expenditures	<u>-</u>	<u>83,678</u>	<u>64,443</u>	<u>(19,235)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund balance, beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1</u></u>

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	<u>Equipment Operating</u>	<u>Employee Benefit</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 186,605	\$ 186,605
Accounts receivable	723	-	723
Prepaid expense	-	32,020	32,020
	<u>723</u>	<u>218,625</u>	<u>219,348</u>
Total current assets	723	218,625	219,348
Capital assets, net	<u>342,471</u>	<u>-</u>	<u>342,471</u>
Total assets	<u>343,194</u>	<u>218,625</u>	<u>561,819</u>
Liabilities			
Current liabilities:			
Accounts payable	2,131	26,296	28,427
Salaries payable	508	-	508
Interfund payable	174,959	-	174,959
Accrued compensated absences, current portion	545	-	545
	<u>178,143</u>	<u>26,296</u>	<u>204,439</u>
Total current liabilities	178,143	26,296	204,439
Noncurrent liabilities -			
Accrued compensated absences, net of current portion	3,996	-	3,996
	<u>3,996</u>	<u>-</u>	<u>3,996</u>
Total liabilities	<u>182,139</u>	<u>26,296</u>	<u>208,435</u>
Net assets			
Invested in capital assets	342,471	-	342,471
Unrestricted (deficit)	<u>(181,416)</u>	<u>192,329</u>	<u>10,913</u>
Unrestricted	<u>\$ 161,055</u>	<u>\$ 192,329</u>	<u>\$ 353,384</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Equipment Operating</u>	<u>Employee Benefit</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 186,068	\$ 626,198	\$ 812,266
Other revenue	447	786	1,233
	<u>186,515</u>	<u>626,984</u>	<u>813,499</u>
Total operating revenue			
Operating expenses			
Personnel	84,783	644,636	729,419
Repair and maintenance	40,685	-	40,685
Utilities	5,438	-	5,438
Other	28,905	-	28,905
Depreciation	45,493	-	45,493
	<u>205,304</u>	<u>644,636</u>	<u>849,940</u>
Total operating expenses			
Net operating income (loss)	(18,789)	(17,652)	(36,441)
Non-operating revenues (expenses)			
Investment income (loss)	<u>(10,959)</u>	<u>9,324</u>	<u>(1,635)</u>
Change in net assets	(29,748)	(8,328)	(38,076)
Net assets, beginning of year	<u>190,803</u>	<u>200,657</u>	<u>391,460</u>
Net assets, end of year	<u><u>\$ 161,055</u></u>	<u><u>\$ 192,329</u></u>	<u><u>\$ 353,384</u></u>

City of Grand Ledge, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	Equipment Operating	Employee Benefit	Total
Cash flows from operating activities			
Receipts from interfund services	\$ 168,305	\$ 626,198	\$ 794,503
Payments to suppliers/claimants	(73,454)	(627,322)	(700,776)
Payments to employees	(83,892)	-	(83,892)
Net cash provided by operating activities	10,959	(1,124)	9,835
Cash flows from investing activities			
Investment income (loss)	(10,959)	9,324	(1,635)
Net increase (decrease) in cash and cash equivalents	-	8,200	8,200
Cash and cash equivalents, beginning of year	-	178,405	178,405
Cash and cash equivalents, end of year	\$ -	\$ 186,605	\$ 186,605
 Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (18,789)	\$ (17,652)	\$ (36,441)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	45,493	-	45,493
Change in assets and liabilities:			
Accounts receivable	1,127	-	1,127
Prepaid expense	-	(3,897)	(3,897)
Accounts payable	-	20,425	20,425
Salaries payable	(76)	-	(76)
Interfund payable	(17,763)	-	(17,763)
Accrued compensated absences	967	-	967
Net cash provided by operating activities	\$ 10,959	\$ (1,124)	\$ 9,835

City of Grand Ledge, Michigan
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	Agency Funds			
	Trust & Agency	Current Tax	Payroll Clearing	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 18,913	\$ -	\$ 486	\$ 19,399
Receivables	7,375	-	-	7,375
<u>TOTAL ASSETS</u>	\$ 26,288	\$ -	\$ 486	\$ 26,774
<u>LIABILITIES</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 486	\$ 486
Undistributed receipts	26,288	-	-	26,288
<u>TOTAL LIABILITIES</u>	\$ 26,288	\$ -	\$ 486	\$ 26,774



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



September 17, 2007

To the City Council of the
City of Grand Ledge, Michigan

We have audited the financial statements of the **City of Grand Ledge, Michigan** for the year ended June 30, 2007, and have issued our report thereon dated September 17, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 11, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Grand Ledge, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

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

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation (retroactive to 1980) of its infrastructure capital assets was based on street construction costs reported to the State in PA 51 filings. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

This letter and the accompanying memorandum are intended for the use of City Council, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style with a prominent initial 'L'.

City of Grand Ledge, Michigan

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of the **City of Grand Ledge, Michigan** as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Significant Deficiencies

Internal Control – Segregation of Duties. The last two years we have commented on the limited segregation of duties at the City. Two years we made a general comment on this topic and then last year we listed specific situations where limited segregation of duties of existed. Both the general comment and the first two items from the list of five specific comments are repeated this year with the acknowledgement that City management has determined from a cost/benefit perspective that it is impractical to eliminate these conditions. As such, City Council and management must remain mindful that limited segregation of duties is and will be an ongoing issue and should therefore discharge its responsibilities, accordingly.

In addition to the aforementioned, we noted this year that credit memos or other account adjustments for utility billings are not subject to review and approval by a person independent of recording those adjustments. To correct this, a review and approval process should be implemented (with an approval coming from someone other than the person who has the access to apply the adjustments) and an edit report should be produced periodically from the utility billing software to verify that all credit memos recorded were properly authorized.

* * * * *