

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 Blanc	County Genessee
Fiscal Year End May 31, 2007	Opinion Date September 25, 2007	Date Audit Report Submitted to State October 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

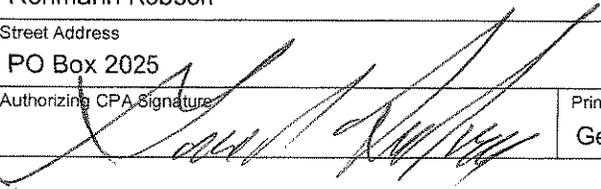
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 (989) 799-9580	
Street Address PO Box 2025		City Saginaw	State Zip MI 48605
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	License Number 1101007126



City of Grand Blanc, Michigan

Comprehensive Annual Financial Report

For the Fiscal Year
Ended May 31, 2007

**CITY OF GRAND BLANC, MICHIGAN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED MAY 31, 2007
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**CITY OF GRAND BLANC, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MAY 31, 2007**

List of Officials

Mayor	Michael N. Matheny
City Council	D. Keith Baldwin James E. Bappert John A. Freel Connie S. Lesley Susan J. Soderstrom Steve Robinson
Administrative Officials	Randall D. Byrne - City Manager Bethany J. Smith - City Clerk/Treasurer Ted Sczetpanski - Building Inspector James B. Harmes - Fire Chief Steven P. Solomon - Police Chief Matthew S. Wurtz - Public Works Director
Independent Auditors	Rehmann Robson
Report Prepared By	City Clerk/Treasurer/Finance Department



City of Grand Blanc

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Grand Blanc, MI 48439

www.cityofgrandblanc.com

810-694-1118
Fax 810-694-9517

MAYOR
Michael H. Matheny

CITY COUNCIL
D. Keith Baldwin
James E. Bappert
John A. Freei
Connie S. Lesley
Susan J. Soderstrom
Steven J. Robinson

CITY MANAGER
Randal D. Byrns

CITY CLERK
Richard Saathoff

CITY TREASURER
Bethany J. Smith

CITY ASSESSOR
Maie Collins

CITY ATTORNEY
Walter P. Griffin

September 25, 2007

To the Mayor, City Council, and the Citizens of the City of Grand Blanc:

The Comprehensive Annual Financial Report (CAFR) of the City of Grand Blanc for the fiscal year ending May 31, 2007, is hereby submitted. The responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects, which is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

The City of Grand Blanc's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Grand Blanc for the fiscal year ending May 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Grand Blanc's financial statements for the fiscal year ending May 31, 2007, are fairly presented in conformity with GAAP.

Since the report consists of management's representations concerning the finances of the City of Grand Blanc, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Grand Blanc's financial statements is used. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

Profile of the Government

The City of Grand Blanc was founded in 1930 and celebrated its 75th Anniversary in 2005. The City is a 3.7 square mile community located in southern Genesee

County, Michigan in an ideal location; minutes from three (3) major expressways that connect the City to cultural centers and the industrial centers of Michigan as well as the rest of the country. The City is located 10 miles south of Flint, 50 miles north of Detroit, and 3 miles north of Automation Alley in Oakland County. The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier library system. Quality health care is provided by Genesys Hospital, located just outside the city limits.

The City operates under the council/manager form of government with seven elected officials, a Mayor and six City Council members representing the residents of the City of Grand Blanc. Policy making and legislative authority are vested with the mayor and council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The City Manager is responsible for carrying out the policies of the governing council, and for overseeing the day to day operation of the city. The Mayor and the City Council members are elected on a non-partisan basis. The Mayor is directly elected by the electorate for a four (4) year term. The City Council members are elected on a staggered four (4) year term on an at large basis, with three (3) members being elected every two years. The City Manager is appointed by, and serves at, the pleasure of the City Council.

The City of Grand Blanc provides various municipal services to its citizens. Among these are police protection, garbage collection, water and sewer operations, street construction, maintenance and snow removal, planning and zoning and general administrative services. The City also participates in joint ventures such as: Grand Blanc Fire Commission, Grand Blanc Parks & Recreation Commission/ Senior Citizen Activity Center and the Grand Blanc District Library, with the Charter Township of Grand Blanc.

The City's annual budget provides the foundation for the financial planning and control. All departments and commissions funded by the City of Grand Blanc are required to submit requests for appropriations to the City Manager. The City Manager utilizes these requests as the basis for developing the proposed budget submitted to the City's Finance Committee. The Finance Committee is comprised of the Mayor and three City Council Members, which meet on a monthly basis to review the budget to actual numbers, prepare the budget, review accounts payable and to address all financial requests/concerns of the City of Grand Blanc. The Finance Committee presents the proposed budget to the full City Council by May 1st of each year. The City Council actually adopts a two year budget, and the immediate next fiscal year budget is amended based on revised, more current information. The second year budget is the starting point for the budget process that begins in January. The adoption of the two year budget has greatly reduced the budget preparation time, allows the City to be more proactive and react faster to poor economic factors.

Major Initiatives

The City of Grand Blanc has continued the aggressive street resurfacing and/or reconstruction program that was begun many years ago. The most recently completed

projects include the relocation of Holly Road (a major artery leading to and from I-75) and Bella Vista Drive, resurfacing many streets in some of our residential areas, and the installation of additional traffic signals. All of these projects have increased the safety for our residents. Many of the street projects are made possible by Transportation Grants.

The City has completed the installation of its state of the art Intelligent Traffic System Signals from Center Road to Holly Road, which will help to alleviate traffic congestion on Saginaw Street.

The City has completed the construction of two (2) water softening plants to serve our residents with soft water. The water is as soft as rain water. There have been two (2) additional health benefits derived from the water softening project: arsenic has been removed from the drinking water, surpassing the federal standards and secondly, the softening process does not use any salt. The system is a “nano-filtration” system, where the water is forced through a membrane with very small holes. This membrane allows the water to pass through while collecting the contaminants and suspended materials.

The City of Grand Blanc has worked closely with the Federal Emergency Management Agency (FEMA) to alleviate flooding in several areas of the City. The City received four (4) matching grants totaling several million dollars to correct flooding conditions. All four (4) projects have been completed, the storm sewer on Via Catherina; the storm sewer in the Indian Hill subdivision and a storm sewer in the LaFave Gardens subdivision, along with the purchase and demolition of five (5) homes within the flood plain. The sewer projects were designed to help alleviate flooding and move water away from the homes quickly. These homes had experienced flooding for many, many years. There was an added benefit of purchasing the homes, the City was able to enlarge an existing city owned park.

Long Term Financial Planning

The City Council and Department Heads convene annually to develop and update the City’s strategic plan for improvements to the infrastructure. Highlights of the current program include:

- ❖ The continuing upgrade of computer technology throughout the City departments, including installation of new financial system software.
- ❖ The removal of diseased Ash trees prior to the tree dying and possibly falling down and damaging homes, streets, sidewalks, pulling down of power lines or causing personal injury.
- ❖ Police and Fire Departments have upgraded and expanded its equipment to better serve homeland security requirements.
- ❖ Improvements to storm water management system
- ❖ Continuing to make improvements to our water supply system and the quality of the water.
- ❖ Contracting with financial experts to assist the City with its post employment benefits.

Since the City of Grand Blanc is at a mature stage in its life cycle the City Council is moving forward with the development of two (2) additional "improvements" which may have the greatest impact on the City. The City Council established a Downtown Development Authority (DDA) and a Brownfield Redevelopment Authority (BRA).

The DDA will focus on redeveloping the downtown area. The City had already developed the comprehensive Downtown Design guideline. These guidelines have already aided in the redevelopment of the downtown area. There have been improvements made to existing businesses and several new businesses developed in the downtown area. Many of these improvements and new businesses were completed before establishing the DDA. The DDA will be used as another tool to create a unique downtown that will offer our residents and visitors options for entertainment, shopping, and services, all in one package.

Michigan's Brownfield law is designed to encourage and assist developers who want to return property to productive use more quickly and at a lower cost than before, while still protecting human health and natural resources. The City of Grand Blanc has several properties that qualify under the Brownfield Act. The City's goal is to remediate property and to develop the property considered a Brownfield site.

Long range financial planning, of course is affected by the City's revenue stream. The negative effects of Proposal A of 1994 have yet to become apparent. The City, until recently has maintained sufficient growth and increase in property values to escape the pitfalls of Proposal A. The full impact of this proposal on local government service in Grand Blanc will be brought to light only if the residential property sales continue to decline.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Grand Blanc operates.

Local economy

The City of Grand Blanc is a desirable community and continues to attract new residents and businesses. The economic condition of the City is fiscally sound and stable. The future, however, is filled with economic uncertainty, challenges, and new opportunities.

Revenue projections continue to be challenging due to the reduction in the State of Michigan's state shared revenue program. Due to the decrease in state shared revenues, the City's second largest revenue source, the City continues to be challenged in maintaining current levels of operating expenses. The City maintains an adequate fund balance that offers a defense against a sluggish economy.

Many of Grand Blanc's residents work in either the Flint metropolitan area or in Automation Alley, a cluster of technology-driven companies in Oakland County. Genesee County's unemployment rate has increased for the past couple of years. Unemployment rates increased in durable manufacturing and in the wholesale sectors of the economy, while employment rates increased slightly in business and health, construction, government, and non-durable manufacturing. Automotive and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPE and Delphi facilities decreased significantly in recent years.

Cash Management

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Cash temporarily idle during the year was invested in demand deposits and in time deposits ranging from seven (7) to ninety-three (93) days. At the present time, the Council's Investment Policy is to invest in only local institutions. The Investment Manager invests in all available institutions in the Grand Blanc area and although there are some monies at risk, every effort is made to ensure that City monies are insured investments. The City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Risk Management

The City of Grand Blanc is insured by the Michigan Municipal League's Michigan Liability and Property Pool for comprehensive general liability, motor vehicle damage, comprehensive property damage and public official liability. The City participates in the Michigan Municipal League Worker's Compensation Fund for worker's compensation claims.

Pension and Other Post-employment Benefits

The City of Grand Blanc contributes to either a defined contribution plan administered by International City Management Association Retirement Corporation (ICMA-RC) or a defined benefit plan administered by Municipal Employees Retirement System (MERS) for each full time employee. The Police Patrol Unit union members are members of the MERS system. The City of Grand Blanc offered the non-union employees the choice to remain members of the ICMA system or transfer to the MERS plan. The majority of the employees elected to join the MERS retirement plan. As a matter of policy, the City fully funds each year's annual required contribution to each of the pension plans. The City also provides post-retirement health, dental and life insurance for certain retirees and their dependents. As of the end of the current fiscal year, there were 10 retired employees/dependents receiving these benefits, which are financed on a pay-as-you-go basis.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Blanc for its CAFR for the fiscal year ended May 31, 2006. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

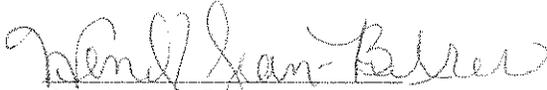
A Certificate of Achievement is valid for only one year. I believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and I will submit it to the GFOA to determine its eligibility for another certificate.

I wish to acknowledge the efforts of the department heads and the office staff that make it possible to prepare this CAFR. The commitment of the City Council to fiscal integrity and to financial leadership is also greatly appreciated. The accounting firm of Rehmann Robson also made substantial contributions in the preparation of this document.

Respectfully submitted,



Bethany J. Smith
City Clerk/Treasurer



Wendy Jean-Bährer
Finance Director-Asst City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grand Blanc
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
May 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

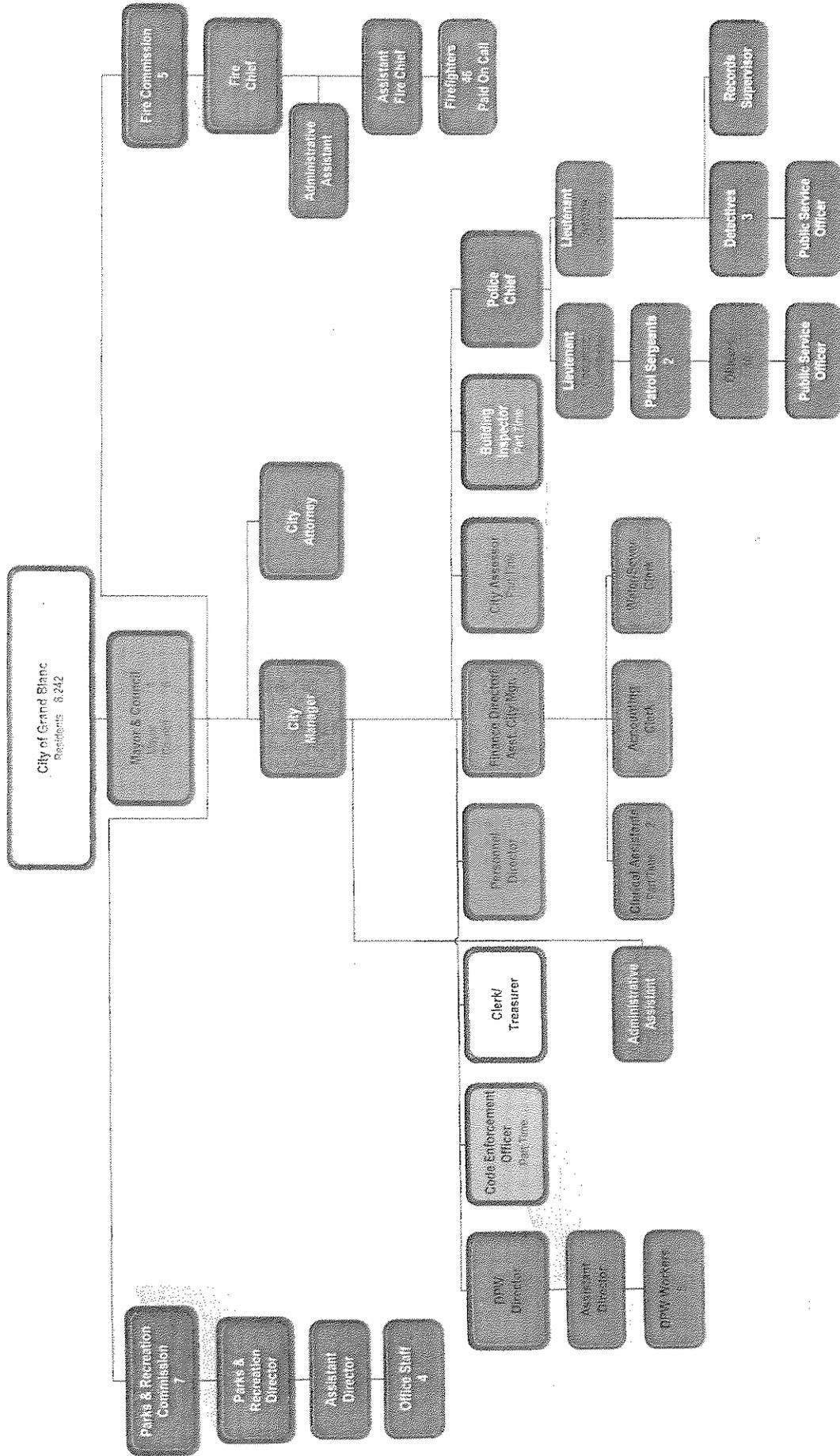


A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Financial Section



INDEPENDENT AUDITORS' REPORT

September 25, 2007

Honorable Mayor and
Members of City Council
City of Grand Blanc
Grand Blanc, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Grand Blanc, Michigan**, as of and for the year ended May 31, 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 Blanc, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Grand Blanc, Michigan**, as of May 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Local Street governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007, on our consideration of the *City of Grand Blanc, Michigan's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3.1-3.6 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 Blanc, Michigan's* basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section 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 in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

Management's Discussion and Analysis

Management's Discussion and Analysis

The City of Grand Blanc's annual report has been prepared in compliance with Governmental Accounting Standard Board's (GASB) Statement No. 34 and consists of management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and required supplemental information, and other supplemental information. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

The government-wide financial statements are designed to provide a broad overview of the City's finances and are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just on current financial resources measured on the individual fund statements. These statements make a distinction between governmental activities such as public safety and public works and business-type activities such as the provision of water and sewer services. Two government-wide statements are provided.

One government-wide statement, the statement of net assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increase or decreases of net assets from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses, and other increase or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the City's major and combined financial information is provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services such as public safety and public works, proprietary funds, which account for business-type activities such as providing water and sewer services, and fiduciary funds, which account for assets held for outside parties.

Reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities, such as bonds, accrued interest, and accrued employee leave time, in the government-wide statement of net assets, which are not included in the fund balance sheets; and the recognition of certain revenues and expenditures such as bond proceeds, capital outlays, and debt principal repayment in the individual fund statements, which are not recorded in the government-wide statements.

Financial Highlights

- ❖ The total net assets for the City of Grand Blanc are \$19,904,776. Of this amount, \$4,162,033 is unrestricted and available for any City activity. The net assets increased \$446,541 from the prior year

- ❖ Combined Program and General Revenue for the Primary Government funds amounted to \$7,197,589. Revenues exceeded expenses of \$6,751,048 by \$446,541.
- ❖ The combined fund balance at May 31, 2007 for the City's governmental funds was \$2,986,009. This was an increase of \$176,441 from the prior year.
- ❖ General Fund revenues exceeded expenditures by \$155,300, causing the General Fund's fund balance to increase accordingly.

Overview of the Financial Statements

This discussion constitutes the first section or introduction to the financial statements, which includes three parts. They are government-wide financial statements, the fund financial statements, and the notes to the financial statements. In addition to the financial statements, other supplementary information is also provided.

- ❖ The government-wide financial statements provide a broad overview of the City of Grand Blanc financial status for both the long-term and short-term.
 - The statement of net assets and statement of activities focus on the overall financial health indicators of the City. Those indicators are further categorized as either governmental activities that are primarily supported by taxes and intergovernmental revenues or business type activities which are supported by user fees and charges.
 - Grand Blanc's governmental activities include such areas as general government, public safety, highways, and streets. The business-type activities include water and sewer.
- ❖ The remaining statements are fund financial statements that focus on individual segments of the City. They are narrower in scope and provide more detail than the government-wide statements.
 - Governmental funds such as the general fund and the police fund focus on the financing of these areas in the short term and what remains for future spending.
 - Water and sewer funds represent some of the proprietary fund statements and show how these activities operate like businesses.
 - Fiduciary fund statements provide information about financial relationships, such as the retirement plan for City employees, where the City administers the fund for the benefit of others who have ownership to the assets.

Notes to the financial statements are also included to further explain some of the financial statements and provide more detailed data.

The final sections include other information. The required supplemental information would include such items as the City of Grand Blanc's progress in funding its pension obligations. In addition, the City has also provided discretionary information about the City that should further enhance the understanding of its operations.

Government-wide Financial Analysis

As mentioned earlier, net assets provide useful benchmarks in determining overall financial position. The City of Grand Blanc's combined net assets are \$19,904,776. This compares to last year's total of \$19,458,235 which was an increase of \$446,541.

City of Grand Blanc's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$4,164,817	\$3,961,476	\$1,033,737	\$1,249,419	\$5,198,554	\$5,210,895
Capital assets	\$9,695,032	\$9,385,997	\$10,995,757	\$11,312,938	\$20,690,789	\$20,698,935
Total assets	\$13,859,849	\$13,347,473	\$12,029,494	\$12,562,357	\$25,889,343	\$25,909,830
Current and other liabilities	\$168,175	\$139,493	\$173,898	\$217,066	\$342,073	\$356,559
Long-term liabilities	\$1,841,166	\$1,991,990	\$3,801,328	\$4,025,852	\$5,642,494	\$6,017,842
Total liabilities	\$2,009,341	\$2,131,483	\$3,975,226	\$4,242,918	\$5,984,567	\$6,374,401
Net assets:						
Invested in capital assets, net of related debt	\$7,974,525	\$7,526,757	\$7,222,077	\$7,319,602	\$15,196,602	\$14,846,359
Restricted						
Highways and streets	\$546,141	\$514,491	\$0	\$0	\$546,141	\$514,491
Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Unrestricted	\$3,329,842	\$3,174,742	\$832,191	\$999,837	\$4,162,033	\$4,174,579
Total net assets	\$11,850,508	\$11,215,990	\$8,054,268	\$8,319,439	\$19,904,776	\$19,535,429
Total liabilities and net assets	\$13,859,849	\$13,347,473	\$12,029,494	\$12,562,357	\$25,889,343	\$25,909,830

Further review of the assets indicates that they are divided into three parts. The largest part (80%) is the investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted assets, which can be used strictly for certain purposes. Finally, the last part is unrestricted assets which can be used for ongoing obligations or new activities.

Governmental Activities

Governmental activities are described in detail below. The City of Grand Blanc's increase in net assets of \$702,010 accounted for the total growth of net assets due to the negative net asset balance in the Business-Type activities.

The increase in net assets was caused by several items in both the revenue and expense activities. The increase in capital assets was due to construction and infrastructure improvements.

The City of Grand Blanc received a community development grant in the amount of \$16,797. This accounts for the only item in “capital grants and contributions”. However, this is over \$1 million less than the capital grants recorded in 2006.

A portion of the increase in ‘operating grants and contributions’ was due to the fact that the streets funds, both Major Streets and Local Streets, received slightly more gas and weight tax revenue. This was mostly likely due to the high price of gasoline and conservation efforts of the residents of the State as a whole, and lower number tourists visiting our State.

In 2006, roof repair of the City Hall and a purchase of real property in the downtown area caused expenditures to rise substantially. In 2007, there were no such charges, so general government expenses decreased almost \$400,000.

The City of Grand Blanc was able to invest some of the excess funds for longer periods of time and thus obtaining high interest rate yield.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
REVENUES:						
Program Revenues:						
Charges for services	\$688,964	\$742,619	\$1,654,828	\$1,796,701	\$2,343,792	\$2,539,320
Operating grants and contributions	\$549,913	\$521,417	\$0	\$0	\$549,913	\$521,417
Capital grants and contributions	\$16,797	\$1,026,099	\$42,238	\$71,221	\$59,035	\$1,097,320
General Revenues:						
Property taxes	\$3,038,932	\$3,263,590	\$330,697	\$322,167	\$3,369,629	\$3,585,757
State Shared Revenues	\$696,411	\$706,382	\$0	\$0	\$696,411	\$706,382
Other	\$127,885	\$126,249	\$50,924	\$33,189	\$178,809	\$159,438
TOTAL REVENUES	\$5,118,902	\$6,386,356	\$2,078,687	\$2,223,278	\$7,197,589	\$8,609,634
EXPENSES:						
General government	\$859,923	\$1,241,738	\$0	\$0	\$859,923	\$1,241,738
Public service	\$778,733	\$532,730	\$0	\$0	\$778,733	\$532,730
Public safety	\$2,070,892	\$2,090,488	\$0	\$0	\$2,070,892	\$2,090,488
Public works	\$320,549	\$343,667	\$0	\$0	\$320,549	\$343,667
Highway and Streets	\$312,299	\$208,530	\$0	\$0	\$312,299	\$208,530
Interest on long term debt	\$74,496	\$85,137	\$0	\$0	\$74,496	\$85,137
Water	\$0	\$0	\$1,426,733	\$1,363,648	\$1,426,733	\$1,363,648
Sewer	\$0	\$0	\$907,423	\$1,035,658	\$907,423	\$1,035,658
TOTAL EXPENSES	\$4,416,892	\$4,502,290	\$2,334,156	\$2,399,306	\$6,751,048	\$6,901,596
Increase (decrease) net assets	\$702,010	\$1,884,066	(\$255,469)	(\$176,028)	\$446,541	\$1,708,038
Net assets - beginning of year*	\$11,148,498	\$9,331,924	\$8,309,737	\$8,495,467	\$19,458,235	\$17,827,391
Net assets - end of year	\$11,850,508	\$11,215,990	\$8,054,268	\$8,319,439	\$19,904,776	\$19,535,429

*restated for 2006

Items on the expense side that also affected the City’s net assets: the City purchased an Intelligent Traffic System and is continuing to implement this technology and the street lighting project.

Financial Analysis of the City'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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,986,009, an increase of \$176,441 in comparison with the prior year. Approximately 98% or \$2,924,286 of the total fund balance, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance, a total of \$61,723 is reserved to indicate that it is not available for new spending because it has already been committed for other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the designated fund balance of the general fund was \$810,388, while total fund balance was \$2,365,828. As a measure of the general fund's liquidity, it may be useful to compare undesignated fund balance to total fund expenditures. Undesignated fund balance represents approximately 38% of total general fund expenditures.

The General Fund fund balance increased by \$155,300.

The Local Street fund had a decrease in fund balance from the prior year of \$66,994 to the current year ending total of \$28,979. Substantially all of the decrease in fund balance was planned and used for improvement to many local streets.

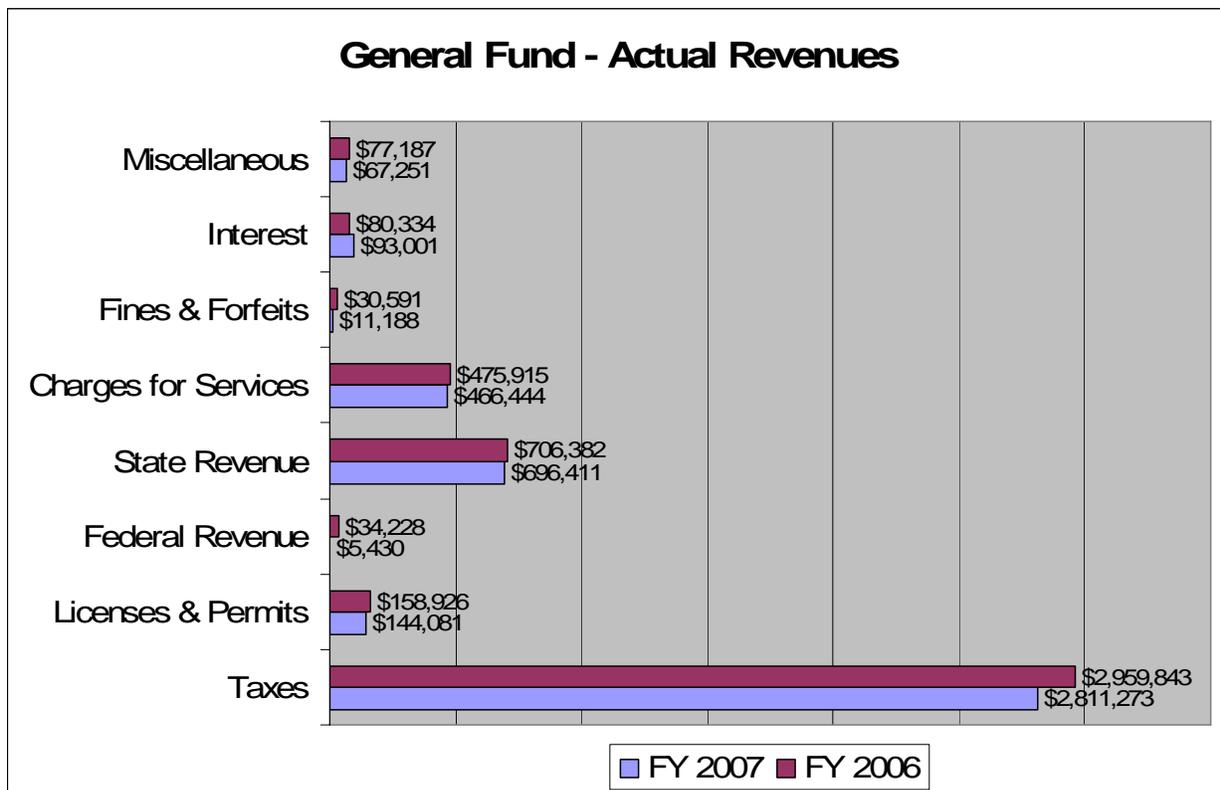
The Nonmajor funds have a total fund balance of \$591,202, of which \$529,479 is unreserved.

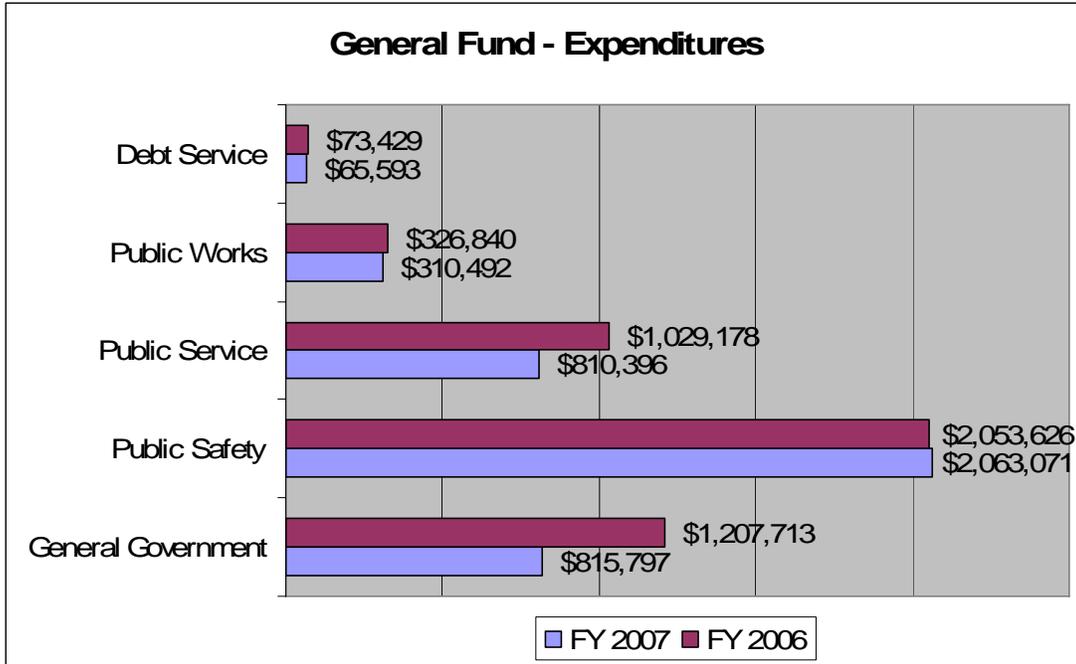
Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

The proprietary funds of the City of Grand Blanc are comprised of the water and sewer funds. Similar types of information are found here as compared to the government-wide statements but with more detail. The Water Fund's net assets were decreased by \$80,604, to \$5,481,479. This decrease is due to conservation of water and increasing expenses. The Sewer Fund's net assets were decreased by \$168,435, to \$2,596,473. This decrease in the sewer fund is also due to water conservation with sewer usage rates based upon water consumption in most cases.

General Fund Budgetary Highlights

The General Fund accounts for all police, public works, planning and zoning, and administrative functions of the City government. The budget is essentially a “maintenance” budget, which means it increases modestly from year to year. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating a budget amendment to appropriate revised revenue and expenditure estimates. As a result of careful monitoring throughout the year, a practice and a history of conservative budgeting, and cost containment measures taken by all Department Heads, differences between the original and final amended budgets for revenues and expenditures usually result in a relatively minor amount. Budget to actual results for the year were also relatively minor.





Capital Asset and Debt Administration

At May 31, 2007, the City of Grand Blanc’s investment in capital assets for the governmental and business-type activities amounted to \$20,690,789 (net of depreciation). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The investment in capital assets decreased \$8,147 due to depreciation exceeding current additions.

Additional information regarding the City’s capital assets can be found in note IV c. on pages 28 - 30 of this report.

Long-Term Debt

At May 31, 2007, the City had \$1,841,166 in bonds outstanding and compensated absences for governmental activities and \$3,801,328 in bonds outstanding and compensated absences for business-type activities.

Additional information regarding the City’s long-term debt can be found on pages 33-34 of this report.

Economic Factors and Next Year’s Budgets and Rates

The economic condition of the State of Michigan is an ongoing concern. After withstanding a cut in state shared revenues of approximately \$124,000 in the past fiscal years; the upcoming fiscal year 2007-08 may be faced with further cuts.

In addition, as provided in the State of Michigan Truth in Taxation Act, the City's state equalized value can not increase due to inflation more than the consumer price index.

Information Requests

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors a general overview of the City's finances and provide further accountability of the financial transactions that take place. If you have questions about this report or need additional financial information, please contact the City of Grand Blanc City Finance Director's Office, 203 E. Grand Blanc Road, Grand Blanc, Michigan, 48439, 810/694-1118.

Basic Financial Statements

Government-Wide Financial Statements

CITY OF GRAND BLANC
STATEMENT OF NET ASSETS
MAY 31, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,622,170	\$ 848,661	\$ 3,470,831
Investments	250,000	-	250,000
Receivables	425,704	297,352	723,056
Internal balances	112,276	(112,276)	-
Investments in joint ventures:			
Fire commission	411,077	-	411,077
Parks and recreation	343,590	-	343,590
Capital assets, net:			
Assets not being depreciated	4,186,838	195,120	4,381,958
Assets being depreciated	5,508,194	10,800,637	16,308,831
Total assets	13,859,849	12,029,494	25,889,343
Liabilities			
Accounts payable and accrued expenses	168,175	173,898	342,073
Noncurrent liabilities:			
Due within one year	233,615	207,526	441,141
Due in more than one year	1,607,551	3,593,802	5,201,353
Total liabilities	2,009,341	3,975,226	5,984,567
Net Assets			
Invested in capital assets, net of related debt	7,974,525	7,222,077	15,196,602
Restricted for:			
Highways and streets	546,141	-	546,141
Unrestricted	3,329,842	832,191	4,162,033
Total net assets	\$ 11,850,508	\$ 8,054,268	\$ 19,904,776

**CITY OF GRAND BLANC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 859,923	\$ 174,289	\$ -	\$ -
Public safety	2,070,892	185,308	5,430	-
Public service	778,733	329,367	-	16,797
Public works	320,549	-	-	-
Highways and streets	312,299	-	544,483	-
Interest on long-term debt	74,496	-	-	-
Total governmental activities	<u>4,416,892</u>	<u>688,964</u>	<u>549,913</u>	<u>16,797</u>
Business-type activities:				
Water	1,426,733	944,778	-	28,738
Sewer	907,423	710,050	-	13,500
Total business-type activities	<u>2,334,156</u>	<u>1,654,828</u>	<u>-</u>	<u>42,238</u>
Total primary government	<u>\$ 6,751,048</u>	<u>\$ 2,343,792</u>	<u>\$ 549,913</u>	<u>\$ 59,035</u>

General revenues:
Property taxes
Grants and contributions not
restricted to specific programs
Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (685,634)	\$ -	\$ (685,634)
(1,880,154)	-	(1,880,154)
(432,569)	-	(432,569)
(320,549)	-	(320,549)
232,184	-	232,184
(74,496)	-	(74,496)
<u>(3,161,218)</u>	<u>-</u>	<u>(3,161,218)</u>
-	(453,217)	(453,217)
-	(183,873)	(183,873)
<u>-</u>	<u>(637,090)</u>	<u>(637,090)</u>
<u>(3,161,218)</u>	<u>(637,090)</u>	<u>(3,798,308)</u>
3,038,932	330,697	3,369,629
696,411	-	696,411
127,885	50,924	178,809
<u>3,863,228</u>	<u>381,621</u>	<u>4,244,849</u>
702,010	(255,469)	446,541
<u>11,148,498</u>	<u>8,309,737</u>	<u>19,458,235</u>
<u>\$ 11,850,508</u>	<u>\$ 8,054,268</u>	<u>\$ 19,904,776</u>

Fund Financial Statements

**CITY OF GRAND BLANC
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2007**

Assets	General	Local Street	Other Governmental Funds	Total
Cash and cash equivalents	\$ 2,018,969	\$ 96,517	\$ 506,684	\$ 2,622,170
Investments	250,000	-	-	250,000
Receivables:				
Accounts	10,939	-	-	10,939
Taxes	140,454	10,119	-	150,573
Due from other funds	169,997	32,015	73,089	275,101
Due from other governmental units	100,899	22,169	51,017	174,085
Total Assets	\$ 2,691,258	\$ 160,820	\$ 630,790	\$ 3,482,868
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 21,195	\$ -	\$ 516	\$ 21,711
Accrued liabilities	112,225	-	-	112,225
Due to other funds	182,840	131,841	39,072	353,753
Due to other governmental units	9,170	-	-	9,170
Total Liabilities	325,430	131,841	39,588	496,859
Fund Balances				
Reserved for:				
Debt service	-	-	58,608	58,608
Capital projects	-	-	3,115	3,115
Unreserved:				
Designated for working capital	690,388	-	-	690,388
Designated for city employee retirement benefit costs	120,000	-	-	120,000
Undesignated:				
General Fund	1,555,440	-	-	1,555,440
Special Revenue Funds	-	28,979	529,479	558,458
Total Fund Balances	2,365,828	28,979	591,202	2,986,009
Total Liabilities and Fund Balances	\$ 2,691,258	\$ 160,820	\$ 630,790	\$ 3,482,868

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

**CITY OF GRAND BLANC
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MAY 31, 2007**

Fund balances - total governmental funds \$ 2,986,009

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	11,473,077
Deduct - accumulated depreciation	(2,194,268)

Other long-term assets are not available to pay for current period expenditures and therefore, either deferred or otherwise not recorded in the funds

Add - investment in joint ventures	754,667
------------------------------------	---------

Charges deferred to future periods in the governmental activities are not reported in the funds

Add - delinquent property taxes receivable	90,107
--	--------

An internal service fund is used by management to charge the costs of the vehicle/equipment pool to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	593,389
--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long-term debt	(1,710,606)
Deduct - accrued interest on long-term debt	(21,208)
Deduct - compensated absences	<u>(120,659)</u>

Net assets of governmental activities:	<u><u>\$ 11,850,508</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF GRAND BLANC
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2007**

	General	Local Street	Other Governmental Funds	Total
Revenues				
Taxes	\$ 2,811,273	\$ 275,367	\$ -	\$ 3,086,640
Licenses and permits	144,081	-	-	144,081
Intergovernmental revenue	701,841	135,929	425,351	1,263,121
Charges for services	466,444	-	-	466,444
Fines and forfeitures	11,188	-	-	11,188
Interest	93,001	14,917	19,967	127,885
Other revenue	67,251	-	-	67,251
Total Revenues	4,295,079	426,213	445,318	5,166,610
Expenditures				
Current:				
General government	815,797	-	-	815,797
Public safety	2,063,071	-	-	2,063,071
Public service	810,396	-	16,797	827,193
Public works	310,492	-	-	310,492
Highways and streets	-	578,265	190,756	769,021
Debt service				
Principal retirement	50,000	-	110,000	160,000
Interest and fiscal charges	15,593	-	59,609	75,202
Total Expenditures	4,065,349	578,265	377,162	5,020,776
Revenues Over (Under) Expenditures	229,730	(152,052)	68,156	145,834
Other Financing Sources (Uses)				
Proceeds from the issuance of capital leases	30,607	-	-	30,607
Transfers in	10,907	147,959	169,609	328,475
Transfers (out)	(115,944)	(33,922)	(178,609)	(328,475)
Total Other Financing Sources (Uses)	(74,430)	114,037	(9,000)	30,607
Net Change in Fund Balances	155,300	(38,015)	59,156	176,441
Fund Balances, Beginning of Year, As Restated	2,210,528	66,994	532,046	2,809,568
Fund Balances, End of Year	\$ 2,365,828	\$ 28,979	\$ 591,202	\$ 2,986,009

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

**CITY OF GRAND BLANC
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2007**

Net change in fund balances - total governmental fund \$ 176,441

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	644,305
Deduct - depreciation expense	(282,592)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds, rather they are deferred to the following fiscal year

Add - increase in investment in joint venture	74,678
Deduct - decrease in delinquent property taxes receivable	(47,708)

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 capital lease	(30,606)
Add - principal payments on long-term liabilities	160,000

An internal service fund is used by management to charge the costs of the vehicle equipment pool to individual funds. The net revenue (expense) of the fund is reported with governmental activities

Deduct - net operating loss from governmental activities in the internal service fund	(5,303)
Deduct - interest expense recorded in the internal service fund	(1,156)

Certain 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 fund

Add - decrease in accrued interest payable on bond	1,860
Add - decrease in compensated absence	12,091

Change in net assets of governmental activities: \$ 702,010

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

**CITY OF GRAND BLANC
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,782,550	\$ 2,782,550	\$ 2,811,273	\$ 28,723
Licenses and permits	134,630	134,630	144,081	9,451
Intergovernmental revenue:				
Federal	-	5,430	5,430	-
State	610,000	610,000	696,411	86,411
Charges for services	443,600	443,600	466,444	22,844
Fines and forfeitures	35,100	35,100	11,188	(23,912)
Interest and rentals	55,000	55,000	93,001	38,001
Other revenue	59,000	104,300	67,251	(37,049)
Total Revenues	4,119,880	4,170,610	4,295,079	124,469
Expenditures				
Current:				
General government:				
Administration	251,550	253,050	234,904	18,146
City manager	131,385	132,285	131,543	742
Elections	12,325	12,325	10,165	2,160
Assessor	51,565	76,685	52,658	24,027
City clerk	114,160	114,160	101,519	12,641
City treasurer	31,250	31,250	29,693	1,557
City hall	140,000	143,000	76,788	66,212
City property	22,900	84,900	110,663	(25,763)
Personnel	2,400	2,400	1,474	926
Retirement benefits	99,565	71,565	66,390	5,175
Total general government	857,100	921,620	815,797	105,823
Public safety:				
Police department	2,008,450	2,019,450	1,968,698	50,752
Building inspection	114,070	114,070	94,373	19,697
Total public safety	2,122,520	2,133,520	2,063,071	70,449
Public service				
	777,770	777,770	810,396	(32,626)

**CITY OF GRAND BLANC
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued)				
Current (continued):				
Public works	293,490	301,990	310,492	(8,502)
Debt service:				
Principal retirement	50,000	50,000	50,000	-
Interest and fiscal charges	19,000	19,000	15,593	3,407
Total debt service	69,000	69,000	65,593	3,407
Total Expenditures	4,119,880	4,203,900	4,065,349	138,551
Revenues Over (Under) Expenditures	-	(33,290)	229,730	263,020
Other Financing Sources (Uses)				
Proceeds from the issuance of capital leases	-	-	30,607	30,607
Transfers in	-	-	10,907	10,907
Transfers (out)	-	-	(115,944)	(115,944)
Total Other Financing Sources (Uses)	-	-	(74,430)	(74,430)
Net Change in Fund Balances	-	(33,290)	155,300	188,590
Fund Balances, Beginning of Year, As Restated	2,210,528	2,210,528	2,210,528	-
Fund Balances, End of Year	<u>\$ 2,210,528</u>	<u>\$ 2,177,238</u>	<u>\$ 2,365,828</u>	<u>\$ 188,590</u>

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

**CITY OF GRAND BLANC
LOCAL STREET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 277,540	\$ 277,540	\$ 275,367	\$ (2,173)
Intergovernmental:				
State	138,200	138,200	135,929	(2,271)
Interest	5,000	5,000	14,917	9,917
Total Revenues	420,740	420,740	426,213	5,473
Expenditures				
Current:				
Highways and streets	452,755	452,755	578,265	(125,510)
Revenues Over (Under) Expenditures	(32,015)	(32,015)	(152,052)	(120,037)
Other Financing Sources (Uses)				
Transfers in	32,015	32,015	147,959	(115,944)
Transfers (out)	-	-	(33,922)	(33,922)
Total Other Financing Sources (Uses)	32,015	32,015	114,037	82,022
Net Change in Fund Balance	-	-	(38,015)	(38,015)
Fund Balance, Beginning of Year	66,994	66,994	66,994	-
Fund Balance, End of Year	\$ 66,994	\$ 66,994	\$ 28,979	\$ (38,015)

**CITY OF GRAND BLANC
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MAY 31, 2007**

Assets	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service
Current Assets				
Cash and cash equivalents	\$ 604,693	\$ 243,968	\$ 848,661	\$ -
Receivables:				
Customers	169,348	115,861	285,209	-
Taxes	12,143	-	12,143	-
Due from other funds	164	40,574	40,738	167,408
Total Current Assets	786,348	400,403	1,186,751	167,408
Noncurrent Assets				
Capital assets (net of accumulated depreciation)	8,681,639	2,314,118	10,995,757	416,223
Total Assets	9,467,987	2,714,521	12,182,508	583,631
Liabilities				
Current Liabilities				
Accounts payable	33,358	90,493	123,851	3,862
Accrued liabilities	23,391	10,932	34,323	-
Accrued interest payable	15,724	-	15,724	-
Due to other funds	123,677	5,653	129,330	164
Compensated absences, current portion	7,251	5,275	12,526	-
Notes payable, current portion	-	-	-	9,901
Bonds payable, current portion	195,000	-	195,000	-
Total Current Liabilities	398,401	112,353	510,754	13,927
Long-Term Liabilities				
Compensated absences, net of current portion	9,427	5,695	15,122	-
Bonds payable, net of current portion	3,578,680	-	3,578,680	-
Total Long-Term Liabilities	3,588,107	5,695	3,593,802	-
Total Liabilities	3,986,508	118,048	4,104,556	13,927
Net Assets				
Investment in capital assets, net of related debt	4,907,959	2,314,118	7,222,077	406,322
Unrestricted	573,520	282,355	855,875	163,382
Total Net Assets	\$ 5,481,479	\$ 2,596,473	8,077,952	\$ 569,704
			(23,685)	
Net Assets of Business-Type Activities			\$ 8,054,267	

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

**CITY OF GRAND BLANC
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2007**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service
Operating Revenues				
Charges for services	\$ 824,496	\$ 710,050	\$ 1,534,546	\$ 244,200
Rentals	83,969	-	83,969	-
Parts and service	15,107	-	15,107	-
Penalties	19,381	-	19,381	-
Total Operating Revenues	942,953	710,050	1,653,003	244,200
Operating Expenses				
Salaries and fringe benefits	470,094	204,402	674,496	-
Operating supplies	222,523	3,494	226,017	-
Maintenance and repairs	25,221	1,663	26,884	107,927
Utilities	178,598	2,332	180,930	-
Sewage disposal service	-	476,527	476,527	-
Depreciation	283,378	120,849	404,227	92,301
Insurance	40,000	30,000	70,000	55,000
Miscellaneous	27,065	4,700	31,765	903
Equipment rental	80,000	55,000	135,000	-
Sewer back up	-	5,756	5,756	-
Total Operating Expenses	1,326,879	904,723	2,231,602	256,131
Operating (Loss)	(383,926)	(194,673)	(578,599)	(11,931)
Nonoperating Revenues (Expenses)				
Tap-in fees	28,738	13,500	42,238	-
Taxes	330,697	-	330,697	-
Interest income	38,186	12,738	50,924	-
Other revenue	1,825	-	1,825	-
Interest expense	(95,926)	-	(95,926)	(1,156)
Total Nonoperating Revenues (Expenses)	303,520	26,238	329,758	(1,156)
Change in Net Assets	(80,406)	(168,435)	(248,841)	(13,087)
Net Assets, Beginning of Year, As Restated	5,561,885	2,764,908		582,791
Net Assets, End of Year	\$ 5,481,479	\$ 2,596,473		\$ 569,704
Adjustment to reflect the consolidation of internal service fun activities related to enterprise funds			(6,628)	
Change in Net Assets of Business-Type Activities			\$ (255,469)	

The accompanying notes are an integral part of these financial statements

**CITY OF GRAND BLANC
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MAY 31, 2007**

	Business-type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities
				Internal Service
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 946,579	\$ 715,602	\$ 1,662,181	\$ -
Receipts from interfund services provided	9,216	28,067	37,283	212,373
Payments to employees	(467,765)	(201,037)	(668,802)	-
Payments to suppliers	(585,869)	(583,445)	(1,169,314)	(162,255)
Net Cash Provided (Used) By Operating Activities	(97,839)	(40,813)	(138,652)	50,118
Cash Flows From Non-Capital Financing Activities				
Taxes	330,697	-	330,697	-
Other revenues	1,825	-	1,825	-
Net Cash Provided (Used) By Non-Capital Financing Activities	332,522	-	332,522	-
Cash Flows From Capital and Related Financing Activities				
Principal paid on bonds and notes payable	(190,000)	-	(190,000)	(9,339)
Interest paid on bonds and notes payable	(96,717)	-	(96,717)	(1,156)
Acquisition and construction of capital assets	(87,045)	-	(87,045)	(39,623)
Tap-in fees	28,738	13,500	42,238	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(345,024)	13,500	(331,524)	(50,118)
Cash Flows From Investing Activities				
Interest on investments	38,186	12,738	50,924	-
Net Increase (Decrease) in Cash and Cash Equivalents	(72,155)	(14,575)	(86,730)	-
Cash and Cash Equivalents, Beginning of Year	676,848	258,543	935,391	-
Cash and Cash Equivalents, End of Year	\$ 604,693	\$ 243,968	\$ 848,661	\$ -

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

**CITY OF GRAND BLANC
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MAY 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal Service</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (383,926)	\$ (194,673)	\$ (578,599)	\$ (11,931)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	283,378	120,849	404,227	92,301
Changes in assets and liabilities:				
Accounts receivable	3,626	5,552	9,178	-
Due from other funds	3,910	22,414	26,324	(31,827)
Accounts payable	(12,462)	(3,973)	(16,435)	1,575
Accrued liabilities	8,547	2,017	10,564	-
Due to other funds	5,306	5,653	10,959	-
Compensated absences	(6,218)	1,348	(4,870)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (97,839)</u>	<u>\$ (40,813)</u>	<u>\$ (138,652)</u>	<u>\$ 50,118</u>

**CITY OF GRAND BLANC
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
MAY 31, 2007**

Assets	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ 28,321
Taxes receivable	<u>90,107</u>
Total Assets	<u>\$ 118,428</u>
 Liabilities	
Due to other governmental units	<u>\$ 118,428</u>

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

Notes to Financial Statements

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grand Blanc, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Grand Blanc, Michigan (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or functional relationships with the City.

Blended component unit

The City of Grand Blanc Building Authority was incorporated under provisions of Michigan Public Act 31 of 1948 and is governed by a five member Board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. As a result, the City has included in its financial statements a debt service fund, used for the accumulation of resources to pay off the debt.

Discretely presented component units

The City has no component units that are discretely presented in the financial statements.

Joint ventures

The City is a member of the Grand Blanc Community Fire Commission, which provides the protection services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$184,220 for its operations. The City's equity interest of \$411,077 is recorded within the governmental activities column of the statement of net assets. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The complete financial statements for the Grand Blanc Fire Commission can be obtained from the administrative offices at 117 High Street, Grand Blanc, Michigan 48439.

The City is a member of Grand Blanc Parks and Recreation Commission, which provides recreational services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$121,935 for its operations. The City's equity interest of \$343,590 is recorded within the governmental activities column of the statement of net assets. The City is unaware of

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc Parks and Recreation Commission can be obtained from the administrative offices at 131 East Grand Blanc Road, Grand Blanc, Michigan 48439.

Jointly governed organization

The City is a member of Grand Blanc District Library Commission, which provides library services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$36,800 for its operation. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc District Library Commission can be obtained from the administrative offices at 4195 West Pasadena, Flint, MI 48504.

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 unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

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. 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, licenses, intergovernmental revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *Local Street Fund* accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

The government reports the following major proprietary funds:

The *Water and Sewer Funds* are managed by the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage collection, pumping and distribution to the County's treatment plant.

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

Additionally, the government reports the following fund types:

The *Internal Service Fund* accounts for the motor and equipment pool provided to other departments of the government on a cost reimbursement basis.

The *Agency Fund* accounts for assets held by the City as an agent for individuals, private organizations and other governments.

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 charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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 Water and Sewer enterprise funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

D. Assets, liabilities, and fund equity

1. Deposits and investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments of the City 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 "due to/from other funds" (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".

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes, levied and immediately due on the following July 1, are collected without penalty through August 31, and with penalty thereafter. City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available. The City bills and collects its own property taxes, as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Tax Collection Agency Fund. Real and personal property in the City for the 2006 levy had a taxable value of \$277,542,690. The City's charter allows the City to levy 20 mills. The City levied for 2006 general operating 9.9500 mills, streets 1.0000 mill, and water operating .2000 mills for a total of 11.1500 mills. The City also has a voted levy for water debt service of 1.000 mill which expires in 2023. The general operating millage is recorded in the general fund. The water debt levy and water operating millage are recorded in the water fund. The streets millage is recorded in the local street fund.

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

3. 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all roads and streets regardless of their acquisition date or amount.

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.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	31.5
Improvements other than buildings	15-50
Vehicles	3-20
Machinery and equipment	5-20
Infrastructure	15-50

4. Accumulated unpaid vacation, personal, and sick pay

The City's policy allows employees to accumulate earned but unused vacation benefits. Accumulated sick and vacation is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

The total of unpaid sick and vacation pay that is applicable to governmental fund types is reported in the Statement of Net Assets.

All vacation days accumulated must be used by December 31 each year, or the vacation pay will be forfeited. Depending on the employee group, up to five days of accumulated personal days will be paid to each employee at December 31 of each year. Up to 40 sick days may be accumulated by each employee. Any unused sick pay of employees will be paid at fifty percent of the outstanding balance upon retirement only.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

5. 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 government 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.

6. 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 represent tentative management plans that are subject to change.

II. Stewardship, compliance, and accountability Budgetary information

A. Budgetary information

Budgets shown in the financial statements were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

2. Public hearings are conducted to obtain taxpayer comments.
3. In May, by resolution, the budget is legally enacted on a departmental (activity) basis for the General Fund and on a fund total for the Special Revenue Funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Budget appropriations lapse at year end.
7. The original budget was amended during the year in compliance with the City Charter and applicable state laws. The budget-to-actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City Council.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

B. Excess of Expenditures Over Appropriations For Budgetary Funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures that are in excess of the amount appropriated. During the year ended May 31, 2007, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund:			
City property	\$ 84,900	\$ 110,663	\$ (25,763)
Public service	777,770	810,396	(32,626)
Public works	301,990	310,492	(8,502)
Transfers out	-	115,944	115,944

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

**Local Street Special Revenue
Fund**

Highways and streets	\$452,755	\$ 578,265	\$ (125,510)
Transfers out	-	33,922	(33,922)

III. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash, pooled investments and investments as shown in the basic financial statement for the City's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 3,470,831
Investments	250,000
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>28,321</u>
 Total	 <u>\$ 3,749,152</u>
 Notes to Financial Statements:	
Deposits	\$ 1,478,988
Investments	2,269,489
Cash on hand	<u>675</u>
 Total	 <u>\$ 3,749,152</u>

The City has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, Act 196 PA 1997 (the Act). The Act generally allows the City to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also provides for investment in U.S. government obligations; certificates of deposit of banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers' acceptances; and, with some restrictions, mutual funds.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

As of May 31, 2007, the City had the following investments.

Investment	Maturity	Fair Value	Credit Rating Range	
			Standard & Poors	Moody's Investor's Services
Treasury Portfolio Class B	n/a	\$ 936,366	AAA	Aaa
Government Money Market Funds	n/a	<u>1,333,123</u>	AAA	Aaa
		<u>\$ 2,269,489</u>		

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments listed above do not have specific maturity dates.

Credit Risk. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end \$1,136,065 of the City's bank balance of \$1,736,065 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. The following investments represent more than 5 percent of

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

the City's total investments: Treasury Portfolio Class B and the Governmental Money Market Funds held in the Major Street, Water and Sewer Funds. All investments held at year end are reported above.

B. Receivables

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities
Receivables:		
Taxes	\$ 240,680	\$ 12,143
Accounts	10,939	285,209
Intergovernmental	<u>174,085</u>	<u>-</u>
Total receivables	<u>\$ 425,704</u>	<u>\$ 297,352</u>

C. Capital Assets

Capital assets activity for the year ended May 31, 2007 was as follows:

Primary Government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 3,688,385	\$ -	\$ -	\$ 3,688,385
Construction in progress	<u>443,766</u>	<u>83,540</u>	<u>(28,853)</u>	<u>498,453</u>
Total capital assets not being depreciated	<u>4,132,151</u>	<u>83,540</u>	<u>(28,853)</u>	<u>4,186,838</u>
Capital assets being depreciated:				
Buildings and improvements	3,034,430	-	-	3,034,430
Improvements other than buildings	556,568	-	-	556,568
Machinery, vehicles and equipment	1,591,114	94,045	(23,895)	1,661,264
Infrastructure	<u>2,909,244</u>	<u>535,196</u>	<u>-</u>	<u>3,444,440</u>
Total capital assets being depreciated	<u>8,091,356</u>	<u>629,241</u>	<u>(23,895)</u>	<u>8,696,702</u>

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities (continued)				
Less accumulated depreciation				
Buildings and improvements	(1,492,623)	(91,987)	-	(1,584,610)
Improvements other than buildings	(190,368)	(34,291)	-	(224,659)
Machinery, vehicles and equipment	(1,000,160)	(124,231)	23,895	(1,100,496)
Infrastructure	<u>(154,359)</u>	<u>(124,384)</u>	<u>-</u>	<u>(278,743)</u>
Total accumulated depreciation	<u>(2,837,510)</u>	<u>(374,893)</u>	<u>23,895</u>	<u>(3,188,508)</u>
Total capital assets being depreciated, net	<u>5,253,846</u>	<u>254,348</u>	<u>-</u>	<u>5,508,194</u>
 Governmental activities capital assets, net	 <u>\$ 9,385,997</u>	 <u>\$ 337,888</u>	 <u>\$ (28,853)</u>	 <u>\$ 9,695,032</u>

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 195,120	\$ -	\$ -	\$ 195,120
Construction in progress	<u>45,100</u>	<u>-</u>	<u>(45,100)</u>	<u>-</u>
Total capital assets not being depreciated	<u>240,220</u>	<u>-</u>	<u>(45,100)</u>	<u>195,120</u>
Capital assets being depreciated:				
Buildings and improvements	153,385	-	-	153,385
Improvements other than buildings	18,339,048	98,743	-	18,437,791
Machinery and equipment	<u>153,686</u>	<u>33,402</u>	<u>-</u>	<u>187,088</u>
Total capital assets being depreciated	<u>18,646,119</u>	<u>132,145</u>	<u>-</u>	<u>18,778,264</u>
Less accumulated depreciation				
Buildings and improvements	(41,097)	(3,164)	-	(44,261)
Improvements other than buildings	(7,380,854)	(390,917)	-	(7,771,771)
Machinery and equipment	<u>(151,449)</u>	<u>(10,146)</u>	<u>-</u>	<u>(161,595)</u>
Total accumulated depreciation	<u>(7,573,400)</u>	<u>(404,227)</u>	<u>-</u>	<u>(7,977,627)</u>
Total capital assets being depreciated, net	<u>11,072,719</u>	<u>(272,082)</u>	<u>-</u>	<u>10,800,637</u>
Business-type activities capital assets, net	<u>\$ 11,312,939</u>	<u>\$ (272,082)</u>	<u>\$ (45,100)</u>	<u>\$ 10,995,757</u>

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

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

Governmental activities:	
General government	\$ 50,542
Public service	65,131
Public safety	26,685
Public works	99,456
Highways and streets	<u>133,079</u>
Total depreciation expense – governmental activities	<u>\$ 374,893</u>
Business-type activities:	
Water	\$ 283,378
Sewer	<u>120,849</u>
Total depreciation expense – business-type activities	<u>\$ 404,227</u>

Construction commitments

The City has active construction projects as of May 31, 2007. The projects include street construction in areas with newly developed housing, and widening and construction of existing streets and bridges. The commitment for the projects is financed by gas and weight taxes, property taxes, and other local sources. At year-end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Town Square	\$ 394,443	\$ 180,557
ITS – Signals	69,200	180,800
2007 Paving Program	30,360	195,299
Rust Park Fencing	-	<u>50,000</u>
Total	<u>\$ 494,003</u>	<u>\$ 606,656</u>

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

D. Payables

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	\$ 25,573	\$ 123,851
Wages, fringe benefits and other accrued liabilities	112,225	34,323
Intergovernmental	9,170	-
Accrued interest payable	<u>21,207</u>	<u>15,724</u>
Total	<u>\$ 168,175</u>	<u>\$ 173,898</u>

E. Interfund Receivables, Payables and Transfers

Due to:	Due from:						Total
	General	Local Streets	Nonmajor Governmental	Water	Sewer	Internal Service	
General	\$ -	\$ 131,841	\$ 7,057	\$ 25,446	\$ 5,653	\$ -	\$ 169,997
Local Street	-	-	32,015	-	-	-	32,015
Nonmajor Governmental	15,432	-	-	57,657	-	-	73,089
Water	-	-	-	-	-	164	164
Sewer	-	-	-	40,574	-	-	40,574
Internal Service	<u>167,408</u>	-	-	-	-	-	<u>167,408</u>
Total	<u>\$182,840</u>	<u>\$ 131,841</u>	<u>\$ 39,072</u>	<u>\$123,677</u>	<u>\$ 5,653</u>	<u>\$ 164</u>	<u>\$ 483,247</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2007

Transfer to:	Transfer from:			
	General	Local Street	Nonmajor Governmental	Total
General	\$ -	\$ -	\$ 10,907	\$ 10,907
Local Street	115,944	-	32,015	147,959
Nonmajor Governmental	-	33,922	135,687	169,609
Total	<u>\$ 115,944</u>	<u>\$ 33,922</u>	<u>\$ 178,609</u>	<u>\$ 328,475</u>

Transfers are used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and to move gas and weight taxes collected in the Major Street Fund to the Local Street Fund to subsidize that fund.

F. Long-Term Debt

Long-term obligations for the year ended May 31, 2007, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
1993 Michigan Transportation Fund bonds due in annual installments ranging from from \$30,000 to \$40,000 through 2010; interest ranging from 3.25% to 5.375%	\$ 150,000	\$ -	\$ 35,000	\$ 115,000	\$ 35,000
2001 Installment Note payable due in annual installments ranging from \$25,000 to \$30,000 through 2010; interest at 5.25%	110,000	-	25,000	85,000	25,000

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities (continued):					
2001 Michigan Transportation Fund bonds due in annual installments ranging from from \$50,000 to \$175,000 through 2017; interest at 2%	\$ 1,300,000	\$ -	\$ 75,000	\$ 1,225,000	\$ 75,000
2005 Mannor Property Note Payable due in annual installments of \$25,000 to \$35,000 through 2015; interest at 4.25%	280,000	-	25,000	255,000	25,000
Equipment Capital Lease due in annual installments of \$8,810 to \$9,901 through 2008; interest at 5.85%	19,240	-	9,339	9,901	9,901
Equipment Capital Lease due in annual installments of \$15,303 through 2009; interest at 0%	-	30,606	-	30,606	15,303
Compensated absences	<u>132,750</u>	<u>60,081</u>	<u>72,172</u>	<u>120,659</u>	<u>48,411</u>
	<u>\$ 1,991,990</u>	<u>\$ 90,687</u>	<u>\$ 241,511</u>	<u>\$ 1,841,166</u>	<u>\$ 233,615</u>
Business-type activities					
2003 Drinking Water Revolving Fund bonds due in annual installments ranging from \$150,000 to \$235,000 through 2023; interest at 2.5%	\$ 3,295,000	\$ -	\$ 155,000	\$ 3,140,000	\$ 160,000
2003 Drinking Water Revolving Fund bonds due in annual installments ranging from \$18,336 to \$50,000 through 2023; interest at 2.5%	668,680	-	35,000	633,680	35,000
Compensated absences	<u>32,516</u>	<u>4,480</u>	<u>9,348</u>	<u>27,648</u>	<u>12,526</u>
	<u>\$ 3,996,196</u>	<u>\$ 4,480</u>	<u>\$ 199,348</u>	<u>\$ 3,801,328</u>	<u>\$ 207,526</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

Resources are transferred from the Major Street and Local Street Funds to the Debt Service Fund to repay the Michigan Transportation bonds. General Fund resources are

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

used to pay the Building Authority bonds. Property taxes are levied to pay a portion of the 2003 Drinking Water Revolving Fund Bonds and operating revenues will be used to pay the remainder of the 2003 Drinking Water Revolving Fund Bonds from the Water Fund. General Fund resources will be used to pay the installment and equipment notes payable. The original amount of governmental activities bonds, notes payable, and capital leases issued in prior years was \$2,528,940. The original amount of business-type activities bonds issued in prior years was \$4,338,680.

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

Year Ending <u>May 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 160,000	\$ 67,782	\$ 195,000	\$ 91,905
2009	175,000	60,652	200,000	86,967
2010	200,000	52,396	210,000	81,842
2011	130,000	44,579	215,000	76,530
2012	160,000	38,742	220,000	71,092
2013 - 2017	855,000	91,688	1,170,000	269,835
2018 - 2022	-	-	1,328,680	113,460
2023	-	-	235,000	2,938
Total	<u>\$1,680,000</u>	<u>\$ 355,839</u>	<u>\$3,773,680</u>	<u>\$ 794,569</u>

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

Year Ending <u>May 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 25,204	\$ 595
2009	15,303	-
Total	<u>\$ 40,507</u>	<u>\$ 595</u>

In the governmental activities, the equipment acquired through capital lease had a total value of \$109,004.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

IV. Other information

A. Risk management

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions. The City pays unemployment claims on a reimbursement basis. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Retirement plans

Defined Contribution - I.C.M.A.

During the year ended May 31, 1994, the City began participation in a defined contribution plan. The plan is a single employer defined contribution plan administered by the International City Managers Association. The plan covers all full-time employees that elected to participate in the plan. The City has no fiduciary responsibilities for the plan administration or investment of the funds.

The City's pension plan was organized under Public Act #135 of 1945 as amended, State of Michigan. Employees are eligible to participate in the pension plan after one month of service with a minimum age requirement of 21. The plan provides for employees to be 100% vested after three years of service, with 0% vesting prior to that point. The minimum required contribution for plan participants is 11.5% of base salary to be paid by the employer. Employees did not contribute to the plan during the year.

During the year, contributions totaling \$15,555 were made by the employer in accordance with contribution requirements established by council.

All investments are handled through ICMA. The plan allows loans to participants. Plan assets do not consist of any employer or related party investments.

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

Defined Benefit - Michigan Municipal Employee Retirement System

Plan description

During the year ended May 31, 1996, the City of Grand Blanc elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The report can be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Membership in the plan at December 31, 2006, the date of the latest actuarial valuation, is comprised of 34 active members, 1 vested former member, and 2 retirees and beneficiaries.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 50 with 25 or more years of service for police patrol unit, and at age 55 with 25 or more years of service for administration, DPW, and Police command. Election of early retirement is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.5% of the member's final average compensation (FAC) for police patrol unit, 2.25% of the member's FAC for administration and police command and 2.0% of the member's FAC for DPW. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Funding policy

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

For fiscal year ended May 31, 2007, the DPW group was required to contribute 3.47% of wages, the Police Command was required to contribute 2.26% of wages, the Administration was required to contribute 1.13%, and the Police Employees were required to contribute 0.69% of wages.

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

Pension contributions withheld from employees amounted to \$54,897 during the year ended May 31, 2007.

Annual Pension Cost

For the year ended May 31, 2007, the City's annual pension cost of \$237,334 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of an actuarial valuation at December 31, 2006. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% for inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases and (c) the assumption that benefits will not increase after retirement. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2006, the date of the most recent actuarial valuation, was 29 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
5/31/05	\$227,862	100%	\$0
5/31/06	222,065	100	0
5/31/07	237,334	100	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/04	\$4,346,643	\$6,420,140	\$2,073,497	67.7%	\$2,081,499	99.6%
12/31/05	4,813,274	6,596,608	1,783,334	73.0%	1,986,441	89.8%
12/31/06	5,388,392	7,395,179	2,006,787	72.9%	2,035,041	98.6%

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

C. Post-employment benefits

Substantially all employees are eligible to receive post-employment benefits upon retirement in the form of health care, dental, and life insurance benefits. These benefits are provided by contractual agreement and are paid annually by the General Fund. The City funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$66,390 during the year ended May 31, 2007. The total number of eligible retirees amounted to ten individuals at May 31, 2007. By contractual agreement, the City pays 100% of these costs. There are no provisions for employee contributions.

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending May 31, 2010. Management is currently assessing the impact of this new accounting standard on the City’s financial statement for future reporting periods.

D. Contingencies

The City receives financial assistance from other governmental agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any financial statements herein or on the overall position of the City.

The City is a subject to various legal proceedings arising in the course of providing public services to City residents. However, in the opinion of the City’s attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the City.

CITY OF GRAND BLANC, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

E. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended May 31, 2007 is as follows:

Beginning deficit		\$(163,822)
Construction permit revenue	\$ 32,862	
Expenditures:		
Professional services	(94,373)	
Revenue over (under) expenditures		<u>(61,511)</u>
Ending deficit		<u><u>\$(225,333)</u></u>

F. Restatements

For the City's General Fund, adjustments were made to write off assets as of May 31, 2006. The net effect of these errors caused the City's assets to be overstated and their net assets to be understated. These errors have been corrected and had the following effect on the beginning net assets:

Beginning fund balance, as previously reported	\$	2,278,020
Adjustment for assets written off		<u>(67,492)</u>
Beginning fund balance, as restated	\$	<u><u>2,210,528</u></u>

CITY OF GRAND BLANC, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2007

For the City's Water Fund, adjustments were made to write off accounts receivables and payables as of May 31, 2006. The net effect of these errors caused the City's assets and liabilities to be overstated and their net assets to be understated. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 5,571,588
Adjustment for accounts receivable	(46,209)
Adjustment for accounts payable	<u>36,506</u>
Beginning net assets, as restated	<u>\$ 5,561,885</u>

For the Governmental Activities on the Statement of Net Assets, the General Fund prior period adjustments also had an effect on beginning of the year net assets. These errors have been corrected and reclassifications have been made and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 11,215,990
General Fund prior period adjustments	<u>(67,492)</u>
Beginning net assets, as restated	<u>\$ 11,148,498</u>

For the Business-type Activities on the Statement of Net Assets, the Water fund prior period adjustments also had an effect on beginning of the year net assets. These errors have been corrected and reclassifications have been made and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 8,319,440
Water fund prior period adjustments	<u>(9,703)</u>
Beginning net assets, as restated	<u>\$ 8,309,737</u>

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**Combining and Individual Fund
Financial Statements**

Nonmajor Governmental Funds

**CITY OF GRAND BLANC
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MAY 31, 2007**

	Special Revenue	Debt Service	Capital Project	Total
Assets				
Cash and cash equivalents	\$ 505,733	\$ 951	\$ -	\$ 506,684
Due from other funds	12,317	57,657	3,115	73,089
Due from other governments	51,017	-	-	51,017
Total Assets	\$ 569,067	\$ 58,608	\$ 3,115	\$ 630,790
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 516	\$ -	\$ -	\$ 516
Due to other funds	39,072	-	-	39,072
Total Liabilities	39,588	-	-	39,588
Fund Balances				
Reserved for debt service	-	58,608	-	58,608
Reserved for capital projects	-	-	3,115	3,115
Unreserved, undesignated	529,479	-	-	529,479
Total Fund Balances	529,479	58,608	3,115	591,202
Total Liabilities and Fund Balances	\$ 569,067	\$ 58,608	\$ 3,115	\$ 630,790

**CITY OF GRAND BLANC
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2007**

	Special Revenue	Debt Service	Capital Project	Total
Revenues				
Intergovernmental:				
Federal	\$ 16,797	\$ -	\$ -	\$ 16,797
State	408,554	-	-	408,554
Interest	19,569	398	-	19,967
Total Revenues	444,920	398	-	445,318
Expenditures				
Current:				
Public service	16,797	-	-	16,797
Highways and streets	190,756	-	-	190,756
Debt service				
Principal	-	110,000	-	110,000
Interest and fiscal charges	-	59,609	-	59,609
Total Expenditures	207,553	169,609	-	377,162
Revenues Over (Under) Expenditures	237,367	(169,211)	-	68,156
Other Financing Sources (Uses)				
Transfers in	-	169,609	-	169,609
Transfers (out)	(167,702)	(10,907)	-	(178,609)
Total Other Financing Sources (Uses)	(167,702)	158,702	-	(9,000)
Net Change in Fund Balance	69,665	(10,509)	-	59,156
Fund Balances, Beginning of Year	459,814	69,117	3,115	532,046
Fund Balances, End of Year	\$ 529,479	\$ 58,608	\$ 3,115	\$ 591,202

Special Revenue Funds

Major Street Fund - To account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

Capital Improvements - To account for non-tax revenues set aside for public improvements.

Community Development Fund - To account for revenues earned and expenditures incurred by the City as a sub-grantee of the Community Development Block Grant Program. The program includes projects for the museum elevator, the master plan update, and other community enrichment activities.

**CITY OF GRAND BLANC
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MAY 31, 2007**

	Major Street	Capital Improvements	Community Development	Total
Assets				
Cash and cash equivalents	\$ 505,733	\$ -	\$ -	\$ 505,733
Due from other funds	-	12,317	-	12,317
Due from other governments	51,017	-	-	51,017
Total Assets	\$ 556,750	\$ 12,317	\$ -	\$ 569,067
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 516	\$ -	\$ -	\$ 516
Due to other funds	39,072	-	-	39,072
Total Liabilities	39,588	-	-	39,588
Fund Balances				
Unreserved, undesignated	517,162	12,317	-	529,479
Total Liabilities and Fund Balances	\$ 556,750	\$ 12,317	\$ -	\$ 569,067

**CITY OF GRAND BLANC
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2007**

	Major Street	Capital Improvements	Community Development	Total
Revenues				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 16,797	\$ 16,797
State	408,554	-	-	408,554
Interest	19,569	-	-	19,569
Total Revenues	428,123	-	16,797	444,920
Expenditures				
Current:				
Public service	-	-	16,797	16,797
Highways and streets	190,756	-	-	190,756
Total Expenditures	190,756	-	16,797	207,553
Revenues Over (Under) Expenditures	237,367	-	-	237,367
Other Financing Sources (Uses)				
Transfers (out)	(167,702)	-	-	(167,702)
Net Change in Fund Balance	69,665	-	-	69,665
Fund Balances, Beginning of Year	447,497	12,317	-	459,814
Fund Balances, End of Year	<u>\$ 517,162</u>	<u>\$ 12,317</u>	<u>\$ -</u>	<u>\$ 529,479</u>

**CITY OF GRAND BLANC
MAJOR STREET SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
Federal	\$ 586,500	\$ 586,500	\$ -	\$ (586,500)
State	365,000	365,000	408,554	43,554
Interest	8,500	8,500	19,569	11,069
Total Revenues	960,000	960,000	428,123	(531,877)
Expenditures				
Current:				
Highways and streets	789,240	789,240	190,756	598,484
Revenues Over (Under)				
Expenditures	170,760	170,760	237,367	66,607
Other Financing Sources (Uses)				
Transfers (out)	(170,760)	(170,760)	(167,702)	3,058
Net Change in Fund Balance	-	-	69,665	69,665
Fund Balance, Beginning of Year	447,497	447,497	447,497	-
Fund Balance, End of Year	\$ 447,497	\$ 447,497	\$ 517,162	\$ 69,665

**CITY OF GRAND BLANC
CAPITAL IMPROVEMENTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Public service	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	12,317	12,317	12,317	-
Fund Balance, End of Year	<u>\$ 12,317</u>	<u>\$ 12,317</u>	<u>\$ 12,317</u>	<u>\$ -</u>

**CITY OF GRAND BLANC
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MAY 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue:				
Federal	\$ 5,000	\$ 5,000	\$ 16,797	\$ 11,797
Expenditures				
Current:				
Public service	5,000	5,000	16,797	(11,797)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

Debt Service Funds

1993 Transportation Bond Debt Service - To account for the servicing of the 1993 Transportation Bonds.

2001 Transportation Bond Debt Service - To account for the servicing of the 2001 Transportation Bonds.

Building Authority Debt Service - To account for the servicing of the 1995 Building Authority Bonds and the 1999 Building Authority Bonds.

Water Project Debt Service - To account for the servicing of the 1991 General Obligation Water Bonds.

**CITY OF GRAND BLANC
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
MAY 31, 2007**

	1993 Transportation Bond Debt Service	2001 Transportation Bond Debt Service	Building Authority	Water Project Debt Service	Total
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 951	\$ 951
Due from other funds	-	-	-	57,657	57,657
Total Assets	\$ -	\$ -	\$ -	\$ 58,608	\$ 58,608
Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ 58,608	\$ 58,608

**CITY OF GRAND BLANC
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2007**

	1993 Transportation Bond Debt Service	2001 Transportation Bond Debt Service	Building Authority	Water Project Debt Service	Total
Revenues					
Interest	\$ -	\$ -	\$ -	\$ 398	\$ 398
Expenditures					
Debt service:					
Principal	35,000	75,000	-	-	110,000
Interest and fiscal charges	7,593	52,016	-	-	59,609
Total Expenditures	42,593	127,016	-	-	169,609
Revenues Over (Under) Expenditures	(42,593)	(127,016)	-	398	(169,211)
Other Financing Sources (Uses)					
Transfers in	42,593	127,016	-	-	169,609
Transfers (out)	-	-	(10,907)	-	(10,907)
Total Other Financing Sources (Uses)	42,593	127,016	(10,907)	-	158,702
Net Change in Fund Balance	-	-	(10,907)	398	(10,509)
Fund Balances, Beginning of Year	-	-	10,907	58,210	69,117
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ 58,608	\$ 58,608

Fiduciary Funds

Agency Funds

Tax Collection - To account for the collection and payment to the county, school districts, and others for which property taxes are collected by the City on their behalf.

**CITY OF GRAND BLANC
TAX COLLECTION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED MAY 31, 2007**

	Balance June 1, 2006	Additions	Deductions	Balance May 31, 2007
Assets				
Cash and cash equivalents	\$ 27,640	\$ 13,181,100	\$ 13,180,419	\$ 28,321
Taxes receivable	137,815	12,156,844	12,204,552	90,107
Total Assets	\$ 165,455	\$ 25,337,944	\$ 25,384,971	\$ 118,428
Liabilities				
Due to other governmental units	\$ 165,455	\$ 12,202,328	\$ 12,249,355	\$ 118,428

Capital Assets Used in Operation of Governmental Funds

To account for capital assets not used in proprietary fund operations.

**CITY OF GRAND BLANC
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
MAY 31, 2007**

Governmental Funds Capital Assets:

Land	\$	3,688,385
Building and improvements		3,034,430
Improvements other than buildings		556,568
Machinery, vehicles and equipment		250,801
Infrastructure		3,444,440
Construction in progress		498,453
		498,453
 Total Governmental Funds Capital Assets	 \$	 11,473,077
		11,473,077

Investment in Governmental Funds Capital Assets By Source:

General Fund	\$	7,530,184
Special Revenue Funds		3,942,893
		3,942,893
 Total Governmental Funds Capital Assets	 \$	 11,473,077
		11,473,077

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF GRAND BLANC
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
MAY 31, 2007

	Land	Buildings and Improvements	Improvements Other than Buildings	Machinery, Vehicles and Equipment	Infrastructure	Construction in Progress	Total
General government:							
City hall	\$ 1,315,701	\$ 1,162,540	\$ -	\$ 110,070	\$ -	\$ -	\$ 2,588,311
Public safety:							
Police department	-	-	-	89,865	-	-	89,865
Fire department	67,778	500,000	-	-	-	-	567,778
Public works	10,000	123,000	-	22,750	-	-	155,750
Public service	2,294,906	1,248,890	556,568	28,116	-	-	4,128,480
Highways and streets	-	-	-	-	3,444,440	498,453	3,942,893
	<u>\$ 3,688,385</u>	<u>\$ 3,034,430</u>	<u>\$ 556,568</u>	<u>\$ 250,801</u>	<u>\$ 3,444,440</u>	<u>\$ 498,453</u>	<u>\$ 11,473,077</u>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF GRAND BLANC
SCHEDULE OF CHANGES IN GOVERNMENTAL FUNDS CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED MAY 31, 2007

	Balance June 1, 2006	Additions	Deletions	Balance May 31, 2007
General government:				
City hall	\$ 2,566,306	\$ 45,900	\$ (23,895)	\$ 2,588,311
Public safety:				
Police department	81,343	8,522	-	89,865
Fire department	567,778	-	-	567,778
Public works	155,750	-	-	155,750
Public service	4,128,480	-	-	4,128,480
Highways and streets	3,353,010	589,883	-	3,942,893
	<u>\$ 10,852,667</u>	<u>\$ 644,305</u>	<u>\$ (23,895)</u>	<u>\$ 11,473,077</u>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Long-Term Debt

To account for long-term liabilities expected to be financed from governmental funds.

**CITY OF GRAND BLANC
SCHEDULE OF DEBT SERVICE REQUIREMENTS
1993 MICHIGAN TRANSPORTATION FUND BONDS
MAY 31, 2007**

Fiscal Year Ended May 31	Interest August 1	Interest February 1	Principal August 1	Total Requirements
2008	\$ 3,022	\$ 2,125	\$ 35,000	\$ 40,147
2009	2,125	1,075	40,000	43,200
2010	1,075	-	40,000	41,075
	<u>\$ 6,222</u>	<u>\$ 3,200</u>	<u>\$ 115,000</u>	<u>\$ 124,422</u>

**CITY OF GRAND BLANC
SCHEDULE OF DEBT SERVICE REQUIREMENTS
INSTALLMENT LOAN - 2001 LAND CONTRACT
MAY 31, 2007**

Fiscal Year Ended May 31	Interest October 1	Interest April 1	Principal October 1	Total Requirements
2008	\$ 2,231	\$ 1,575	\$ 25,000	\$ 28,806
2009	1,575	788	30,000	32,363
2010	788	-	30,000	30,788
	<u>\$ 4,594</u>	<u>\$ 2,363</u>	<u>\$ 85,000</u>	<u>\$ 91,957</u>

CITY OF GRAND BLANC
SCHEDULE OF DEBT SERVICE REQUIREMENTS
2001 MICHIGAN TRANSPORTATION FUND BONDS
MAY 31, 2007

Fiscal Year Ended May 31	Interest August 1	Interest February 1	Principal August 1	Total Requirements
2008	\$ 25,328	\$ 23,922	\$ 75,000	\$ 124,250
2009	23,922	22,469	75,000	121,391
2010	22,469	20,469	100,000	142,938
2011	20,469	18,406	100,000	138,875
2012	18,406	15,828	125,000	159,234
2013	15,828	13,250	125,000	154,078
2014	13,250	10,625	125,000	148,875
2015	10,625	7,437	150,000	168,062
2016	7,437	3,719	175,000	186,156
2017	3,719	-	175,000	178,719
	<u>\$ 161,453</u>	<u>\$ 136,125</u>	<u>\$ 1,225,000</u>	<u>\$ 1,522,578</u>

CITY OF GRAND BLANC
SCHEDULE OF DEBT SERVICE REQUIREMENTS
2005 NOTE PAYABLE - MANNOR PROPERTIES
MAY 31, 2007

Fiscal Year Ended May 31	Interest October 1	Interest April 1	Principal October 1	Total Requirements
2008	\$ 4,692	\$ 4,232	\$ 25,000	\$ 33,924
2009	4,232	3,680	30,000	37,912
2010	3,680	3,128	30,000	36,808
2011	3,128	2,576	30,000	35,704
2012	2,576	1,932	35,000	39,508
2013	1,932	1,288	35,000	38,220
2014	1,288	644	35,000	36,932
2015	644	-	35,000	35,644
	<u>\$ 22,172</u>	<u>\$ 17,480</u>	<u>\$ 255,000</u>	<u>\$ 294,652</u>

City of Grand Blanc

Statistical Section

This part of the City of Grand Blanc's comprehensive annual financial report presents detailed information as a context of understanding what information in the financial statements, note closures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Schedule</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's Financial performance and well-being have changed over time.</i>	1-4
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	5-8
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	9-13
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	14-16
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	17-18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the current year. The City implemented GASB 24 in 2005; schedules presenting government-wide information include information in that year.

SCHEDULE 1

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,796,530	\$ 4,157,795	\$ 4,256,458	\$ 4,783,270	\$ 5,603,802	\$ 6,179,506	\$ 7,046,520	\$ 4,535,007	\$ 7,526,757	\$ 7,974,525
Restricted	566,190	1,056,623	1,013,990	779,165	809,540	754,115	767,378	785,190	514,491	546,141
Unrestricted	1,511,964	1,726,930	2,314,439	2,272,142	3,321,236	2,574,999	2,776,672	3,732,748	3,174,742	3,329,842
Total governmental activities net assets	<u>\$ 5,874,684</u>	<u>\$ 6,941,348</u>	<u>\$ 7,584,887</u>	<u>\$ 7,834,577</u>	<u>\$ 9,734,578</u>	<u>\$ 9,508,620</u>	<u>\$ 10,590,570</u>	<u>\$ 9,052,945</u>	<u>\$ 11,215,990</u>	<u>\$ 11,850,508</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 7,393,955	\$ 7,214,376	\$ 7,019,147	\$ 7,597,407	\$ 7,801,637	\$ 7,877,028	\$ 7,633,029	\$ 7,371,541	\$ 7,319,602	\$ 7,222,077
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	1,168,942	999,837	832,191
Total business-type activities net assets	<u>\$ 7,393,955</u>	<u>\$ 7,214,376</u>	<u>\$ 7,019,147</u>	<u>\$ 7,597,407</u>	<u>\$ 7,801,637</u>	<u>\$ 7,877,028</u>	<u>\$ 7,633,029</u>	<u>\$ 8,540,483</u>	<u>\$ 8,319,439</u>	<u>\$ 8,054,268</u>
Primary government										
Invested in capital assets, net of related debt	\$ 11,190,485	\$ 11,372,171	\$ 11,275,605	\$ 12,380,677	\$ 13,405,439	\$ 14,056,534	\$ 14,679,549	\$ 11,906,548	\$ 14,846,359	\$ 15,196,602
Restricted	566,190	1,056,623	1,013,990	779,165	809,540	754,115	767,378	785,190	514,491	546,141
Unrestricted	1,511,964	1,726,930	2,314,439	2,272,142	3,321,236	2,574,999	2,776,672	4,901,690	4,174,579	4,162,033
Total primary activities net assets	<u>\$ 13,268,639</u>	<u>\$ 14,155,724</u>	<u>\$ 14,604,034</u>	<u>\$ 15,431,984</u>	<u>\$ 17,536,215</u>	<u>\$ 17,385,648</u>	<u>\$ 18,223,599</u>	<u>\$ 17,593,428</u>	<u>\$ 19,535,429</u>	<u>\$ 19,904,776</u>

Source: City of Grand Blanc Audit Reports

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years
(accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Expenses										
Governmental activities:										
General government	\$ 1,600,062	\$ 1,240,792	\$ 1,350,355	\$ 1,786,415	\$ 1,930,226	\$ 1,842,931	\$ 1,732,566	\$ 764,846	\$ 1,241,738	\$ 859,923
Public service	\$ 795,497	\$ 659,895	\$ 716,416	\$ 736,055	\$ 897,106	\$ 813,996	\$ 818,905	\$ 975,498	\$ 532,730	\$ 2,070,892
Public safety	\$ 1,462,342	\$ 1,498,343	\$ 1,673,303	\$ 1,755,397	\$ 1,775,777	\$ 1,994,499	\$ 1,998,328	\$ 1,927,040	\$ 2,090,488	\$ 778,733
Public works	\$ 238,781	\$ 221,143	\$ 206,216	\$ 226,281	\$ 229,563	\$ 204,146	\$ 222,474	\$ 470,877	\$ 343,667	\$ 320,549
Highway and streets	\$ 320,313	\$ 506,263	\$ 515,882	\$ 731,521	\$ 532,700	\$ 1,996,110	\$ 1,142,591	\$ 293,444	\$ 208,530	\$ 312,299
Interest on debt	\$ 162,072	\$ 139,334	\$ 124,379	\$ 111,310	\$ 129,277	\$ 123,969	\$ 94,645	\$ 85,507	\$ 85,137	\$ 74,496
Total governmental activities expenses	4,579,067	4,265,770	4,586,551	5,346,979	5,494,649	6,975,651	6,009,509	4,517,212	4,502,290	4,416,892
Business-type activities:										
Water	807,505	872,855	846,656	888,459	844,909	880,006	892,400	1,272,831	1,363,648	1,426,733
Sewer	735,538	737,076	722,338	800,230	812,222	884,434	974,020	1,000,240	1,035,658	907,423
Total business-type activities expenses	1,543,043	1,609,931	1,568,994	1,688,689	1,657,131	1,764,440	1,866,420	2,273,071	2,399,306	2,334,156
Total primary government expenses	\$ 6,122,110	\$ 5,875,701	\$ 6,155,545	\$ 7,035,668	\$ 7,151,780	\$ 8,740,091	\$ 7,875,929	\$ 6,790,283	\$ 6,901,596	\$ 6,751,048
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 354,956	\$ 356,687	\$ 369,341	\$ 370,296	\$ 395,588	\$ 419,007	\$ 530,680	\$ 202,810	\$ 236,479	\$ 174,289
Public service	\$ 30,190	\$ 32,710	\$ 40,658	\$ 30,142	\$ 29,431	\$ 33,976	\$ 30,464	\$ 301,411	\$ 278,889	\$ 185,308
Public safety	\$ 128,075	\$ 86,097	\$ 92,120	\$ 98,188	\$ 124,124	\$ 99,301	\$ 137,537	\$ 163,856	\$ 227,251	\$ 329,367
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,678	\$ -	\$ -
Highway and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,622,919	\$ 521,417	\$ 549,913
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,026,099	\$ 16,797
Total governmental activities program revenues	513,221	475,494	502,119	498,626	549,143	552,284	698,681	2,418,674	2,290,135	1,255,674
Business-type activities:										
Charges for services										
Water	662,012	775,891	760,442	700,943	741,241	919,472	897,927	852,386	1,038,263	944,778
Sewer	675,204	706,402	703,706	690,500	716,082	797,271	766,753	755,438	758,438	710,050
Operating grants and contributions	-	-	-	-	-	-	-	-	33,721	-
Capital grants and contributions	-	-	-	-	-	-	-	23,500	37,500	42,238
Total business-type activities program revenues	1,337,216	1,482,293	1,464,148	1,391,443	1,457,323	1,716,743	1,664,680	1,631,324	1,867,922	1,697,066
Total primary government program revenues	\$ 1,850,437	\$ 1,957,787	\$ 1,966,267	\$ 1,890,069	\$ 2,006,466	\$ 2,269,027	\$ 2,363,361	\$ 4,049,998	\$ 4,158,057	\$ 2,952,740
Net (expense)/revenue										
Governmental activities	\$ (4,065,846)	\$ (3,790,276)	\$ (4,084,432)	\$ (4,848,353)	\$ (4,945,506)	\$ (6,423,367)	\$ (5,310,828)	\$ (2,098,538)	\$ (2,212,155)	\$ (3,161,218)
Business-type activities	(205,827)	(127,638)	(104,846)	(297,246)	(199,808)	(47,697)	(201,740)	(641,747)	(531,384)	(637,090)
Total primary government net expense	\$ (4,271,673)	\$ (3,917,914)	\$ (4,189,278)	\$ (5,145,599)	\$ (5,145,314)	\$ (6,471,064)	\$ (5,512,568)	\$ (2,740,285)	\$ (2,743,539)	\$ (3,798,308)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 2,379,090	\$ 2,512,526	\$ 2,595,123	\$ 2,661,931	\$ 2,788,548	\$ 3,438,665	\$ 2,757,268	\$ 3,121,778	\$ 3,263,590	\$ 3,038,932
State share revenues	1,164,891	1,269,472	1,314,987	1,374,414	1,318,224	1,263,890	1,255,716	709,581	706,382	696,411
Unrestricted investment earnings	109,456	66,540	236,027	168,697	130,455	66,202	31,701	55,029	122,373	127,885
Other revenue	117,214	622,669	460,399	352,852	1,785,735	852,948	1,481,079	-	3,876	-
Transfers - internal activities	91,030	24,468	22,772	13,337	2,013	-	-	-	-	-
Total governmental activities	3,861,681	4,495,675	4,629,308	4,571,231	6,024,975	5,621,705	5,525,764	3,886,388	4,096,221	3,863,228
Business-type activities:										
Property taxes	-	41,103	43,057	45,189	46,137	48,087	300,218	310,275	322,167	330,697
Unrestricted investment earnings	8,403	9,234	19,373	45,876	10,215	4,717	10,540	19,641	33,189	50,924
Other revenue	-	-	(19,457)	-	81,713	106,400	46,100	-	-	-
Transfers - internal activities	(91,030)	(24,468)	(22,772)	(13,337)	(2,013)	-	-	-	-	-
Total business-type activities	(82,627)	25,869	20,201	77,728	136,052	159,204	356,858	329,916	355,356	381,621
Total primary government	\$ 3,779,054	\$ 4,521,544	\$ 4,649,509	\$ 4,648,959	\$ 6,161,027	\$ 5,780,909	\$ 5,882,622	\$ 4,216,304	\$ 4,451,577	\$ 4,244,849
Change in Net Assets										
Governmental activities	\$ (204,165)	\$ 705,399	\$ 544,876	\$ (277,122)	\$ 1,079,469	\$ (801,662)	\$ 214,936	\$ 1,787,850	\$ 1,884,066	\$ 702,010
Business-type activities	(288,454)	(101,769)	(84,645)	(219,518)	(63,756)	111,507	155,118	(311,831)	(176,028)	(255,469)
Total primary government	\$ (492,619)	\$ 603,630	\$ 460,231	\$ (496,640)	\$ 1,015,713	\$ (690,155)	\$ 370,054	\$ 1,476,019	\$ 1,708,038	\$ 446,541

Source: City of Grand Blanc Audit Reports

SCHEDULE 3

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	\$ 1,180,570	\$ 1,697,782	\$ 2,059,155	\$ 1,802,362	\$ 1,944,683	\$ 1,972,617	\$ 2,302,991	\$ 2,578,750	\$ 2,278,020	\$ 2,365,828
Total general fund	<u>\$ 1,180,570</u>	<u>\$ 1,697,782</u>	<u>\$ 2,059,155</u>	<u>\$ 1,802,362</u>	<u>\$ 1,944,683</u>	<u>\$ 1,972,617</u>	<u>\$ 2,302,991</u>	<u>\$ 2,578,750</u>	<u>\$ 2,278,020</u>	<u>\$ 2,365,828</u>
All other governmental funds										
Reserved	\$ (56,994)	\$ -	\$ 3,115	\$ 3,115	\$ 3,115	\$ 3,115	\$ 3,115	\$ 3,115	\$ 72,232	\$ 61,723
Unreserved										
Special revenue funds	954,578	1,085,771	1,266,159	1,245,830	2,182,978	1,353,382	1,237,944	861,344	526,809	558,458
Total all other governmental funds	<u>\$ 897,584</u>	<u>\$ 1,085,771</u>	<u>\$ 1,269,274</u>	<u>\$ 1,248,945</u>	<u>\$ 2,186,093</u>	<u>\$ 1,356,497</u>	<u>\$ 1,241,059</u>	<u>\$ 864,459</u>	<u>\$ 599,041</u>	<u>\$ 620,181</u>

Source: City of Grand Blanc Audit Reports

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 2,379,090	\$ 2,512,526	\$ 2,595,123	\$ 2,661,931	\$ 2,788,548	\$ 2,921,012	\$ 2,757,268	\$ 3,113,741	\$ 3,225,268	\$ 3,086,640
Licenses and Permits	128,075	86,097	92,120	98,188	124,124	99,301	137,537	128,667	158,926	144,081
Inter-governmental	1,261,723	1,850,510	1,617,122	1,455,160	1,414,225	2,602,541	2,736,795	2,355,519	2,253,898	1,263,121
Charges for Services	354,956	356,687	369,341	370,296	395,588	419,007	419,811	441,518	478,915	466,444
Fines and Forfeits	30,190	32,710	40,658	30,142	29,431	33,976	30,464	31,256	30,591	11,188
Interest	109,456	66,540	236,027	168,697	130,455	66,202	31,701	55,028	122,373	127,885
Miscellaneous	20,382	41,631	30,749	42,106	39,734	31,950	110,869	43,616	77,187	67,251
Total Revenues	\$ 4,283,872	\$ 4,946,701	\$ 4,981,140	\$ 4,826,520	\$ 4,922,105	\$ 6,173,989	\$ 6,224,445	\$ 6,169,345	\$ 6,347,158	\$ 5,166,610
Expenditures										
General Government	1,068,778	995,748	950,955	1,501,415	925,226	1,234,598	1,488,323	956,602	1,207,713	815,797
Public Safety	1,462,342	1,498,343	1,673,303	1,755,397	1,775,777	1,994,499	1,998,328	2,057,195	2,053,626	2,063,071
Public Service	795,497	659,895	716,416	736,055	897,106	813,996	818,905	936,408	1,329,026	827,193
Public Works	238,781	221,143	206,216	226,281	229,563	204,146	222,474	291,338	326,840	310,492
Highway and Streets	320,313	506,263	515,882	731,521	532,700	1,996,110	1,142,591	2,054,752	1,645,872	769,021
Capital Outlay	167,189	-	124,400	-	-	-	-	-	-	-
Debt Service										
Principal	364,095	245,044	275,000	285,000	1,005,000	608,333	244,243	200,000	265,000	175,302
Interest	162,072	139,334	124,379	111,310	129,277	123,969	94,645	84,004	85,229	59,900
Total Expenditures	4,579,067	4,265,770	4,586,551	5,346,979	5,494,649	6,975,651	6,009,509	6,580,299	6,913,306	5,020,776
Excess of Revenues over (under) Expenditures	(295,195)	680,931	394,589	(520,459)	(572,544)	(801,662)	214,936	(410,954)	(566,148)	145,834
Other Financing Sources (Uses)										
Bond Proceeds	-	-	127,515	-	1,500,000	-	-	-	-	-
Loan Proceeds	-	-	-	230,000	150,000	-	-	310,000	-	30,607
Operating Transfers In	335,667	261,358	199,315	194,022	215,969	255,595	258,285	262,535	326,800	325,475
Operating Transfers (Out)	(244,637)	(236,890)	(176,543)	(180,685)	(213,956)	(255,595)	(258,285)	(262,535)	(326,800)	(325,475)
Total Other Funding Sources (Uses)	91,030	24,468	150,287	243,337	1,652,013	-	-	310,000	-	30,607
Net Change in Fund Balances	\$ (204,165)	\$ 705,399	\$ 544,876	\$ (277,122)	\$ 1,079,469	\$ (801,662)	\$ 214,936	\$ (100,954)	\$ (566,148)	\$ 176,441
Debt service as a percentage of noncapital expenditures	13.54%	9.90%	9.83%	8.01%	26.01%	11.73%	5.98%	4.51%	5.34%	4.91%

Notes:

- (1) Includes General, Special Revenue, Debt Service and Capital Project Funds
- (2) Significant revenues from federal road projects were received during 2003, 2004 and 2005
- (3) Significant revenues from federal funds in the general fund were received during 2004
- (4) Significant revenues from federal funds in local street special revenue were received during 2005

Source: City of Grand Blanc audit reports

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Fiscal Year Ended	Real Property/Qualified				Personal Property			Total		
	May 31, Direct Tax Rate	State Equalized/ Assessed Value	Taxable Value	Ratio of State Equalized Value to Taxable Value	State Equalized/ Assessed Value	Taxable Value	Ratio of State Equalized Value to Taxable Value	State Equalized/ Assessed Value	Taxable Value	Ratio of State Equalized Value to Taxable Value
1998	12.1500	\$ 194,992,630	\$ 184,489,470	94.6%	\$ 10,336,750	9,880,375	95.6%	\$ 205,329,380	\$ 194,369,845	94.7%
1999	12.1500	208,815,920	195,707,822	93.7%	10,598,020	10,598,020	100.0%	219,413,940	206,305,842	94.0%
2000	12.1500	219,041,400	204,000,030	93.1%	11,736,800	11,736,800	100.0%	230,778,200	215,736,830	93.5%
2001	12.1500	226,603,320	210,641,840	93.0%	10,414,607	10,414,607	100.0%	237,017,927	221,056,447	93.3%
2002	12.1500	232,949,190	219,991,180	94.4%	11,199,930	11,199,930	100.0%	244,149,120	231,191,110	94.7%
2003	12.2500	258,012,690	230,276,954	89.3%	11,300,940	11,300,940	100.0%	269,313,630	241,577,894	89.7%
2004	12.1500	273,251,505	239,146,915	87.5%	11,554,880	11,549,190	100.0%	284,806,385	250,696,105	88.0%
2005	12.1500	280,225,095	247,472,235	88.3%	11,571,650	11,571,650	100.0%	291,796,745	259,043,885	88.8%
2006	12.1500	290,133,120	255,944,970	88.2%	11,176,180	11,176,180	100.0%	301,309,300	267,121,150	88.7%
2007	12.1500	310,626,470	275,662,150	88.7%	11,602,960	11,602,960	100.0%	322,229,430	287,265,110	89.1%

Source: CITY OF GRAND BLANC, MICHIGAN Equalization Department

Note: Property in the city is assessed annually.

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Direct and Overlapping Governments - Unaudited
Last Ten Fiscal Years

CITY OF GRAND BLANC, MICHIGAN					Overlapping Rates								
<u>Fiscal Year</u>	<u>Operating Millage</u>	<u>Streets Millage</u>	<u>Water Imp. Millage</u>	<u>Total City Millage</u>	<u>Genesee County</u>	<u>Parks</u>	<u>SET Schools (1)</u>	<u>School Operating</u>	<u>School Debt</u>	<u>School Building and Site</u>	<u>Inter-mediate Schools</u>	<u>Mott College</u>	<u>Total</u>
1997-1998	9.9500	1.0000	1.2000	12.1500	8.2618	1.0000	6.0000	18.0000	0.0000	1.0000	3.6032	1.8745	51.8895
1998-1999	9.9500	1.0000	1.2000	12.1500	8.2618	1.0000	6.0000	18.0000	0.0000	1.0000	3.6032	1.8745	51.8895
1999-2000	9.9500	1.0000	1.2000	12.1500	8.2618	1.0000	6.0000	17.8311	0.0000	1.0000	3.6032	1.8745	51.7206
2000-2001	9.9500	1.0000	1.2000	12.1500	8.2271	0.9936	6.0000	18.0000	1.8000	1.0000	3.5894	1.8694	53.6295
2001-2002	9.9500	1.0000	1.2000	12.1500	8.2187	0.9936	6.0000	17.7480	1.8000	0.9923	3.5835	2.8672	54.3533
2002-2003	9.9500	1.0000	1.3000	12.2500	8.1831	0.9936	5.0000	17.6344	1.8000	0.9872	3.5672	2.8280	53.2435
2003-2004	9.9500	1.0000	1.2000	12.1500	8.1373	0.9852	6.0000	17.6344	1.8000	0.9779	3.5469	2.7466	53.9783
2004-2005	9.9500	1.0000	1.2000	12.1500	8.5154	0.9852	5.0000	17.3275	4.5000	0.9768	3.5361	2.6807	55.6717
2005-2006	9.9500	1.0000	1.2000	12.1500	8.5154	0.9852	6.0000	17.3275	4.5015	1.0000	3.5361	2.6807	56.6964
2006-2007	9.9500	1.0000	1.2000	12.1500	10.2092	0.0000	6.0000	18.0000	4.4700	1.0000	3.5341	2.6796	58.0429

Source: CITY OF GRAND BLANC, MICHIGAN Equalization Department

(1) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

SCHEDULE 7

CITY OF GRAND BLANC
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Taxpayer	Type of Business	2007			2006			2005			2004			Taxable Assessed Value
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	
Bridgewood Common Shopping Center	North Park Retail Complex	\$ 5,051,100	1	1.76%	\$ 4,539,680	2	1.51%	\$ 4,394,670	2	1.51%	\$ 4,295,870	2	1.51%	\$ 1,679,570
Perry Place Apartments LLC	Occidental Apartment Complex	4,629,580	2	1.61%	4,986,620	1	1.65%	4,794,670	1	1.64%	4,718,430	1	1.66%	4,612,360
Country House Investors LLC	Apartment Complex	4,531,490	3	1.58%	3,828,980	3	1.27%	3,776,840	3	1.29%	3,691,950	5	1.30%	3,608,980
General Motors	Auto Industry	3,029,250	4	1.05%	2,999,260	4	1.00%	3,026,300	4	1.04%	3,863,390	4	1.36%	2,952,490
ABE Briarwood	Intergrated Nursing Home	2,782,000	5	0.97%	2,683,740	5	0.89%	2,597,040	5	0.89%	3,977,870	3	1.40%	2,295,390
American House - Grand Blanc LLC	York Apartment Complex	2,297,210	6	0.80%	2,215,250	6	0.74%	2,177,370	6	0.75%	1,728,070	9	0.61%	1,689,230
Grand Blanc Center LLC	Retail Complex	2,074,000	7	0.72%	2,103,460	7	0.70%	2,036,270	7	0.70%	1,990,490	6	0.70%	1,945,740
Consumer's Energy	Utility Supplies	1,993,630	8	0.69%	1,970,320	8	0.65%	1,876,530	8	0.64%	1,850,020	7	0.65%	-
Grand Blanc Golf and Country Club	Golf Course	1,979,700	9	0.69%	1,909,110	9	0.63%	1,848,170	9	0.63%	1,806,650	8	0.63%	1,766,080
Grand Bend Club Apartments LLC	Apartment Complex	1,788,820	10	0.62%	1,826,140	10	0.61%	1,767,810	10	0.61%	1,725,140	10	0.61%	1,686,360
Grand Blanc Mall, Inc.	Retail Complex	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	3,912,340
Nielson Limited Partnership	Retail Complex	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
Arkin Jonna Properties	Retail Complex	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
K-Mart Corporation	Retailer	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
Totals		\$ 30,156,780		10.50%	\$ 29,062,560		9.65%	\$ 28,295,670		9.70%	\$ 29,647,880		10.41%	\$ 26,148,540

Source: CITY OF GRAND BLANC, MICHIGAN Equalization Department

SCHEDULE 7

2003		2002		2001		2000		1999		1998			
Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
9	0.62%	\$ -	-	0.00%	\$ -	-	0.00%	\$ -	-	0.00%	\$ -	-	0.00%
1	1.71%	4,544,220	1	1.86%	4,403,330	1	1.86%	4,355,710	1	1.89%	5,950,980	1	2.71%
3	1.34%	3,555,670	4	1.46%	3,452,100	4	1.46%	3,452,100	4	1.50%	3,311,610	4	1.51%
4	1.10%	3,832,260	3	1.57%	3,760,120	2	1.59%	3,766,800	2	1.63%	3,921,600	2	1.79%
5	0.85%	2,631,290	5	1.08%	2,191,350	5	0.92%	2,336,920	5	1.01%	2,322,130	6	1.06%
8	0.63%	1,664,270	9	0.68%	1,612,670	9	0.68%	1,592,350	10	0.69%	1,533,540	9	0.70%
6	0.72%	1,916,990	7	0.79%	1,917,090	7	0.81%	1,892,940	7	0.82%	1,825,000	7	0.83%
-	0.00%	1,769,430	8	0.72%	-	-	0.00%	1,780,960	9	0.77%	2,452,500	5	1.12%
7	0.66%	1,989,880	6	0.82%	1,686,120	8	0.71%	1,895,770	6	0.82%	-	-	0.00%
10	0.63%	1,661,440	10	0.68%	1,609,930	10	0.68%	-	-	0.00%	-	-	0.00%
2	1.45%	3,854,530	2	1.58%	3,735,020	3	1.58%	3,667,410	3	1.59%	3,553,250	3	1.62%
-	0.00%	-	-	0.00%	1,919,160	6	0.81%	1,883,590	8	0.82%	-	-	0.00%
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	1,732,610	8	0.79%
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	1,313,000	10	0.60%
	<u>9.71%</u>	<u>\$ 27,419,980</u>		<u>11.23%</u>	<u>\$ 26,286,890</u>		<u>11.09%</u>	<u>\$ 26,624,550</u>		<u>11.54%</u>	<u>\$ 27,916,220</u>		<u>12.72%</u>
													<u>12.45%</u>

SCHEDULE 8

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Fiscal Year Ended May 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Taxes Collected	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 2,361,595	\$ 2,303,890	97.56%	\$ 57,705	\$ 2,361,595	100.00%
1999	2,510,841	2,458,996	97.94%	42,373	2,501,369	99.62%
2000	2,643,386	2,587,578	97.89%	51,754	2,639,332	99.85%
2001	2,777,141	2,692,938	96.97%	77,518	2,770,456	99.76%
2002	2,906,846	2,799,275	96.30%	81,113	2,880,388	99.09%
2003	3,061,639	2,940,292	96.04%	57,308	2,997,600	97.91%
2004	3,145,269	3,007,880	95.63%	69,573	3,077,453	97.84%
2005	3,402,594	3,249,620	95.50%	121,416	3,371,036	99.07%
2006	3,539,270	3,415,033	96.49%	135,402	3,550,435	100.32%
2007	3,490,271	3,400,164	97.42%	71,196	3,417,337	97.91%

Source: CITY OF GRAND BLANC, MICHIGAN Treasurer

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchase Contracts	Capital Leases					
1998	\$ 880,044	\$ -	\$ -	\$ -	\$ 1,625,000	\$ 880,044	0.55%	\$ 113
1999	950,000	-	-	-	1,500,000	2,450,000	1.48%	316
2000	955,000	-	-	-	1,350,000	2,305,000	1.35%	297
2001	820,000	230,000	-	-	1,200,000	2,250,000	1.28%	290
2002	2,175,000	285,000	140,000	-	375,000	2,975,000	1.55%	361
2003	2,010,000	-	386,313	-	209,046	2,605,359	1.43%	316
2004	1,995,000	-	25,709	-	3,994,642	6,015,351	3.13%	730
2005	2,105,000	135,000	41,270	-	4,097,931	6,379,201	3.16%	774
2006	1,580,000	-	19,240	-	3,993,336	5,592,576	2.64%	679
2007	1,810,560	-	30,606	-	3,801,328	5,642,494	2.53%	685

Source: City of Grand Blanc Audit Reports

(1) See Statistical Table Number 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
To State Equalized Value and Net Bonded Debt per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year	Population		State Equalized Valuation (In Thousands)	(2) Gross Bonded Debt (In Thousands)	Amounts Available in Debt Service Fund	Debt Payable from Enterprise Revenue	Net Bonded Debt (In Thousands)	Ratio of Net Bonded Debt to State Equalized Value of Property	Net Debt Per Capita (2)
1998	7,760	(1)	205,259	\$ 3,177	\$ 674	\$ 429	2,074	1.01%	\$ 267
1999	7,760	(1)	216,414	2,811	698	345	1,768	0.82%	\$ 228
2000	7,760	(1)	230,778	2,589	776	257	1,556	0.67%	\$ 201
2001	7,760	(1)	237,129	2,433	827	169	1,437	0.61%	\$ 185
2002	8,242	(3)	244,149	3,084	189	80	2,815	1.15%	\$ 342
2003	8,242	(3)	269,313	2,605	64	-	2,541	0.94%	\$ 308
2004	8,242	(3)	284,806	6,015	64	-	5,951	2.09%	\$ 722
2005	8,242	(3)	291,796	6,252	64	3,450	2,738	0.94%	\$ 332
2006	8,242	(3)	301,309	5,853	64	3,295	2,494	0.83%	\$ 303
2007	8,242	(3)	322,229	5,464	58	3,140	2,266	0.70%	\$ 275

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

- (1) 1990 U.S. Census
- (2) Includes all general obligation notes and bonds
- (3) 2000 U.S. Census

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
May 31, 2007

<u>Date of Financial Information</u>	<u>Jurisdiction</u>	<u>Amount Applicable to Net Debt Outstanding</u>	<u>Percentage Applicable to City of Grand Blanc</u>	<u>Total Overlapping Debt Applicable to City of Grand Blanc</u>
Direct: 5/31/2007	City of Grand Blanc	<u>\$ 5,464,187</u>	100%	<u>\$ 5,464,187</u>
Overlapping: 6/30/2006	Mott Community College	5,464,187	2.80%	152,997
6/30/2006	Bishop Airport Authority	10,555,000	2.61%	275,486
6/30/2006	Genesee County	36,510,621	2.61%	952,927
6/30/2006	Grand Blanc School District	<u>80,710,000</u>	23.81%	<u>19,217,051</u>
	Total Overlapping	<u>133,239,808</u>		<u>20,598,461</u>
	Totals	<u><u>\$ 138,703,995</u></u>		<u><u>\$ 26,062,648</u></u>

Source: Grand Blanc Schools Audit

**CITY OF GRAND BLANC
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years**

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Legal debt limit	\$ 19,436,985	\$ 20,630,584	\$ 23,077,820	\$ 23,712,903	\$ 24,414,912	\$ 26,931,363	\$ 28,480,639	\$ 29,179,675	\$ 26,785,089	\$ 28,726,511
Total net debt applicable to limit	<u>2,210,000</u>	<u>2,020,000</u>	<u>1,380,000</u>	<u>1,215,000</u>	<u>375,000</u>	-	-	<u>4,227,931</u>	<u>3,993,336</u>	<u>3,715,072</u>
Legal debt margin	<u>\$ 17,226,985</u>	<u>\$ 18,610,584</u>	<u>\$ 21,697,820</u>	<u>\$ 22,497,903</u>	<u>\$ 24,039,912</u>	<u>\$ 26,931,363</u>	<u>\$ 28,480,639</u>	<u>\$ 24,951,744</u>	<u>\$ 22,791,753</u>	<u>\$ 25,011,439</u>
 Total net debt applicable to the limit as a percentage of debt limit	 11.37%	 9.79%	 5.98%	 5.12%	 1.54%	 0.00%	 0.00%	 14.49%	 14.91%	 12.93%

Legal Debt Margin Calculation for Fiscal Year 2007

Taxable Value	\$ 287,265,110
Debt limit (10% of taxable value of property in County)	28,726,511
Debt applicable to limit:	3,773,680
Less:	
Assets in Debt Service funds available for payment of principal	<u>58,608</u>
Total amount of debt applicable to debt limit	<u>3,715,072</u>
Legal debt margin	<u>\$ 25,011,439</u>

Note: Under state finance law Grand Blanc City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1998	\$ 364,095	\$ 162,072	\$ 526,167	\$ 4,469,067	11.8%
1999	245,044	139,334	\$ 384,378	4,265,770	9.0%
2000	275,000	124,379	\$ 399,379	4,586,551	8.7%
2001	285,000	111,310	\$ 396,310	5,346,979	7.4%
2002	1,005,000	129,277	\$ 1,134,277	5,494,649	20.6%
2003	608,333	123,968	\$ 732,301	6,975,650	10.5%
2004	244,243	94,645	\$ 338,888	6,009,509	5.6%
2005	200,000	84,004	\$ 284,004	6,594,887	4.3%
2006	265,000	85,229	\$ 350,229	6,913,306	5.1%
2007	300,000	85,137	\$ 385,137	5,020,776	7.67%

Source: City of Grand Blanc Audit Reports

- (1) Does not include general bonded debt issued for water and sewer utility purposed, which is paid from the Water and Sewer Fund revenues.
- (2) Includes General, Special Revenue, Debt Service and Capital Project Funds

SCHEDULE 14

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
1998	7,760	\$ 161,012,240	\$ 20,749	5,789	5.40%
1999	7,760	\$ 165,838,960	21,371	5,891	5.40%
2000	7,760	\$ 170,813,120	22,012	5,927	5.20%
2001	7,760	\$ 175,934,720	22,672	6,260	7.10%
2002 (5)	8,242	\$ 192,467,184	23,352	6,449	8.70%
2003	8,242	\$ 182,708,656	22,168	6,789	6.70%
2004	8,242	\$ 192,026,797	23,299	7,313	8.90%
2005	8,242	\$ 201,820,164	24,487	7,624	8.90%
2006	8,242	\$ 212,112,992	25,736	7,940	7.70%
2007	8,242	\$ 222,930,755	27,048	8,232	7.80%

Data Sources:

- (1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2002 which reflects the actual census.
- (2) Bureau of Economic Analysis
- (3) Grand Blanc School District
- (4) Michigan Department of Labor and Economic Growth - Unemployment rate information is a yearly average not seasonally adjusted.
- (5) 2000 Census

N/A - Not Available

CITY OF GRAND BLANC
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

Employer	Type of Industry	2007			2006			2005			2004		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Briarwood Convalescent Center	Nursing Home	250	1	5.83%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Grand Blanc Schools	School	194	2	4.52%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Kroger	Grocery Store	134	3	3.13%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
McDonalds	Restaurant	59	4	1.38%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Kmart	Retail Store	57	5	1.33%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Metropolitan Building	Medical	50	6	1.17%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Luca's Chophouse	Restaurant	35	7	0.82%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
City of Grand Blanc	Government	34	8	0.79%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
General Motors	Automotive	30	9	0.70%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Honda	Automotive Retail	23	10	0.54%	N/A	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Totals		<u>866</u>		<u>20.20%</u>	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

Source: Listed Businesses and U.S.Census

Total Employment within the City: 4,288

N/A - Data Not Available

SCHEDULE 15

2003			2002			2001			2000			1999			1998		
Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
N/A	-	0.00%															
-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

	<u>Full-time Equivalent Employees as of May 31,</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Function										
General service administration	18	18	18	19	19	19	19	19	18	17
Legislative	7	7	7	7	7	7	7	7	7	7
Law enforcement	18	18	20	20	20	20	19	18	18	17
Planning and development	-	-	-	-	1	1	1	1	1	-
Total	43	43	45	46	47	47	46	45	44	41

Source: Grand Blanc City Personnel Office

SCHEDULE 17

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Building Permits Issued	15	15	8	10	8	9	3	3	6	N/A
Building Inspections Conducted	681	753	156	450	360	272	405	220	274	N/A
Police										
Physical Arrests	551	456	453	613	617	534	445	500	399	N/A
Parking Violations (1)	N/A	N/A	N/A	N/A	N/A	N/A	148	105	35	N/A
Traffic Violations	1300	1335	1304	853	1252	1104	699	718	540	N/A
Water										
New Connections	15	15	8	12	10	11	5	4	11	N/A
Water Main Breaks	11	14	5	8	20	13	6	14	10	7
Average daily consumption (gallons)	1,520,000	1,480,000	1,440,000	1,400,000	1,360,000	1,320,000	1,280,000	1,240,000	1,220,000	1,200,000
Number of Customers	2,426	2,439	2,452	2,465	2,478	2,491	2,504	2,517	2,520	2,530
Wastewater										
Average daily sewage treatment	1,520,000	1,480,000	1,440,000	1,400,000	1,360,000	1,320,000	1,280,000	1,240,000	1,220,000	1,200,000

Source: Various City Departments
U.S. Census Bureau

N/A - Not Available at the Time of Audit

(1) Violations included in Traffic Violations from 1998-2003.

SCHEDULE 18

CITY OF GRAND BLANC, MICHIGAN
Ratio of Annual Debt Service Expenditures
Last Ten Fiscal Years

		Fiscal Year									
		<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police											
	Stations	1	1	1	1	1	1	1	1	1	1
	Patrol Units	12	12	12	12	12	12	12	12	12	12
Water											
	Water Mains (Miles)	48	48	48	48	48	48	48	48	48	48
	Fire Hydrants	300	335	342	342	344	344	344	348	352	352
	Storage Capacity (Gallons)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Wastewater											
	Sanitary Sewage miles	48	48	48	48	48	48	48	48	48	48
	Storm Sewage miles	48	48	48	48	48	48	48	48	48	48
	Treatment Capacity(Millions of Gallons/Day)	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96
Area											
	City Major Streets (miles)	6.98	6.98	6.98	6.98	6.98	6.98	7.21	7.21	7.21	7.21
	City Local Streets (miles)	20.35	20.35	20.35	20.35	20.35	20.35	23.29	23.29	23.29	23.29

Source: Various City Departments



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

September 25, 2007

City Council
City of Grand Blanc
Grand Blanc, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the ***City of Grand Blanc, Michigan*** (the "City"), as of and for the year ended May 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2) Recording, Processing and Summarizing Accounting Data

Criteria:	All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (e.g., maintaining internal books and records).
Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the government has placed reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the government's <i>internal</i> controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the government lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of accounting data, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments.

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to the management of the *City of Grand Blanc, Michigan* in a separate letter dated September 25, 2007.

The City's responses to the findings identified in our audit are described above. We did not audit the City's response and, accordingly, we express no opinion on them.

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

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



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 28, 2007

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

We have audited the financial statements of the *City of Grand Blanc* for the year ended May 31, 2007, and have issued our report thereon dated July 27, 2006. 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 and Government Auditing Standards

As stated in our engagement letter dated June 18, 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 misstatements may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 will advise 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 useful lives of depreciable capital 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.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop accrued compensated absences 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). The following audit adjustment(s), in our judgment, indicate matters that could have a significant effect on the City's financial reporting process:

All audit entries that were posted to convert financial statements from cash basis to modified accrual basis and from modified accrual basis to full accrual basis. In other words, audit entries are required to properly account for receivables, payables, capital assets, etc.

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 principal to the City’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 significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the City Council, and if considered appropriate, management of the City and is 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.

CITY OF GRAND BLANC

COMMENTS AND RECOMMENDATIONS

In planning and performing our audit of the financial statements of the *City of Grand Blanc* as of and for the year ended May 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated September 28, 2007, contains our report on significant deficiencies in the City's internal control. This letter does not affect our report dated September 28, 2007, on the financial statements of the *City of Grand Blanc*.

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

We wish to thank the management and personnel for their support and assistance during the audit of the *City of Grand Blanc*.

1) Journal Entries

A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, manual adjustments to the financial records should be supported by adequate documentation of the purpose, appropriateness and proper approval of each adjustment. Manual adjustments to the financial records that were made by City staff throughout the fiscal year were not filed with adequate supporting documentation.

Recommendation:

We recommend that the City require that all manual adjustments be filed with adequate supporting documentation. We also recommend that all manual adjustments are properly reviewed, retained and indicate appropriate management approval.

2) Bank Reconciliations

A strong system of internal controls mandates that cash accounts are properly reconciled on a periodic basis. In addition, those reconciliations should be reviewed by a separate individual to ensure that the reconciliations were completed timely and accurately. Currently, there is no separate review of completed bank reconciliations.

Recommendation:

We recommend that the City require that all necessary bank reconciliations are properly reviewed, retained and indicate appropriate management approval.
