

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	City of Mt. Pleasant	County	ISABELLA	Type	CITY	MuniCode	37-2-010
Opinion Date	June 24, 2008	Audit Submitted	June 30, 2008	Fiscal Year	December 31, 2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="10953766"/>
General Fund Expenditure:	<input type="text" value="9585350"/>
Major Fund Deficit Amount:	<input type="text" value="N/A"/>

General Fund Balance:	<input type="text" value="6585696"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="7035248"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Gerald	Last Name	Desioover	Ten Digit License Number	1101007126				
CPA Street Address	5800 Gratiot Ave.	City	Saginaw	State	Mi	Zip Code	48605	Telephone	(989) 799-9580
CPA Firm Name	Rehmann Robson	Unit's Street Address	401 N. Main	City	Mt. Pleasant	Zip Code	48858		

CITY OF MT. PLEASANT

Michigan

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2007

Issued by:

Finance Department

Nancy J. Ridley
Finance Director

Mary Ann Kornexl, CPA, CPFA
Deputy Finance Director/City Treasurer

Comprehensive Annual Financial Report

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THE CITY OF
MT. PLEASANT, MICHIGAN

CITY HALL

401 N. Main • 48858-1698
(989) 779-5300
(989) 773-4691 fax

PUBLIC SAFETY

804 E. High • 48858-3595
(989) 779-5100
(989) 773-4020 fax

PUBLIC WORKS

1303 N. Franklin • 48858-4682
(989) 779-5400
(989) 772-6250 fax

June 27, 2008

Honorable Mayor
Members of the City Commission
Citizens and Friends of Mt. Pleasant, Michigan

Article VII, Section 15 of the City Charter and State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Mt. Pleasant for the fiscal year ended December 31, 2007.

This report consists of management's representations concerning the finances of the City of Mt. Pleasant. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mt. Pleasant has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mt. Pleasant financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Mt. Pleasant 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Mt. Pleasant financial statements have been audited by Rehmann Robson P.C., 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 Mt. Pleasant for the fiscal year ended December 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 statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mt. Pleasant financial statements for the fiscal year ended December 31, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Mt. Pleasant, incorporated in 1889, is located in the central part of the State of Michigan at the intersection of US127 and M20. The City currently occupies 7.8 square miles and serves a population of 25,946. The City is governed by a charter that was last amended in 2002. A city's charter is like a local constitution, which spells out the basic form of government and lists the authority and responsibilities of all the players. The City of Mt. Pleasant is empowered to levy a property tax on both real and personal property located within the City.

Mt. Pleasant has a "commission/manager" form of government. Policy-making and legislative authority are vested in the commission consisting of the mayor, vice-mayor and five other members. The commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, clerk, assessor, treasurer and attorney. The commission is elected at large on a non-partisan basis. Commission members serve three-year overlapping terms.

The manager is responsible for carrying out the policies and ordinances of the commission, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments.

The commission adopts an annual budget. The annual budget serves as a foundation for the City of Mt. Pleasant's financial planning and control. For a narrative on the budget process see Note 2-A in the Notes to Financial Statements section of this report.

Reporting Entity and Services. As required by generally accepted accounting principles, these financial statements present the City of Mt. Pleasant and related component units. The individual component units are included in the City's reporting entity because of their operational or financial relationships with the City.

The City provides a full range of municipal services. These services include parks; police and fire protection; water, sewer, and sanitation services; the construction and maintenance of highways, streets, and infrastructure; and recreational activities and cultural events. In addition to general government activities, because of the significance of their operational and financial relationship, Tax Increment Finance Authority (TIFA), Economic Development Corporation (EDC), Mission Street Downtown Development Authority (DDA), Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRDA) are included in the reporting entity.

Factors Affecting Financial Condition

Local Economy. The geographical location of the City of Mt. Pleasant allows easy access to major highways, which provides several advantages to the community. Growth in the form of residential and commercial expansion is evident from the significant increase since before 1990 in new construction and remodeling.

Mt. Pleasant is the home of Central Michigan University (CMU). CMU has seen a significant increase in enrollment. The increase in enrollment has resulted in a significant number of rental units being constructed in the City and surrounding Township.

During 2001, the City of Mt. Pleasant in partnership with CMU was awarded the status of Smartzone for University Park. The award was made by the Michigan Economic Development Corporation (MEDC) to ten parks in the State of Michigan. With the designation comes international marketing of the park by MEDC. MEDC granted the Local Development Finance Authority (LDFA) \$2,000,000 to create an incubator building for companies who are beginning technological ventures to be housed as they grow large enough to build their own facilities. The incubator building is complete and is occupied by several technology firms. MEDC and CMU continue to actively market the park in an effort to attract technology jobs to Mt. Pleasant and to retain the students educated at CMU. CMU also added a wet lab incubator in 2006.

The tourism industry continues to grow in the Mt. Pleasant area. Mt. Pleasant is becoming a leading tourist destination in the state for its park system and also the attractions in the surrounding area such as premier golf courses and Soaring Eagle Casino.

During 2006 a major retail development was completed in the adjoining township. With this development, it is planned to do significant upgrades to the U.S. 127 interchange on the south end of town. It is anticipated that these developments will significantly increase the number of people coming to Mt. Pleasant to shop.

On July 31, 2006 the City entered into a purchase agreement with a developer to purchase a condominium interest in the historic Borden Building in downtown Mt. Pleasant. The developer is currently rehabilitating the building and upon completion, which is estimated to be September 2008, the City will purchase a condominium interest of approximately 75% of the newly renovated building. The City issued bonds, is utilizing State of Michigan grant funds, and dedicated City funds for the purchase of the condominium and the related costs for the infrastructure, parking and other costs associated with the relocation.

The 15-year bonds were issued in December 2007 and are a limited tax general obligation of the City. The principal and interest will be repaid from the following sources of funds: (a) a portion of the City's operating millage which was approved at .50 mills beginning in 2008, (b) Brownfield tax increment captures from adjacent properties to the Project and (c) use of Brownfield tax increment captures from other sites within the City.

Factors Affecting Financial Condition (Continued)

The purpose of the City partnering on this project is that it enabled the rehabilitation of a building that had been vacant for 40+ years right in the downtown area. The building had become a symbol of all that was wrong with downtown. In addition to the preservation and use of a historic building, the developer committed to construction of a new building on the vacant land next to the historic building. These two projects will serve as a catalyst for the redevelopment of the downtown area to the west.

The City of Mt. Pleasant enjoys a favorable economic environment. The economy in the State of Michigan has been struggling in recent times. Consequently the state has reduced its budget for local programs such as state shared revenue, fire funding, and school funding. The cuts to state shared revenue and fire funding have directly impacted the City's general fund. Due to the expiration of allocated millages and a fund balance in excess of its goal, the City has been able to increase the operating millage and use the fund balance to cover these losses without raising the total millage rate for the taxpayers. City staff and commissioners have begun the process at looking at this long-term trend and service adjustments have been made in the 2007 budget. The cuts to school funding have resulted in a difficult financial situation in the public schools and CMU.

Cash Management. During the year idle cash was invested in demand deposits, MBIA Class Investment Pool, Bank Investment Funds, U.S. Government Agencies and Commercial Paper. The Pension Trust Funds' investment portfolio also includes Treasury Notes, Corporate Notes and Bonds, Mutual Funds, and Real Estate. The average yield on investments, except for the Pension Trust Fund, was 4.55%. The Pension Trust Fund achieved a yield rate of 13.2% for this same period.

The City earned investment income of \$1,737,668 on the investment of the Police and Fire Pension funds and \$727,784 on all other investments for the year ended December 31, 2007.

The City's investment policy is to maintain a competitive yield on its portfolio while minimizing credit and market risks.

Pension Plans and Other Post Employment Benefits. The City currently participates in the Municipal Employees Retirement System of Michigan (MERS) for its employees, except for members of the Police and Fire Departments. Full-time Police and Fire employees have pension coverage under a locally administered pension plan established under Public Act 345 of Public Acts of 1937, as amended. The City provides health care benefits for police retirees who retired after January 2002. The financial statements of the Act 345 retirement fund are included in the Comprehensive Annual Financial Report. See Note 11 for more details.

The City Commission adopted the provisions of State Act 149, establishing the Police Retiree Medical Benefits Fund as a trust. See Note 10 for more details.

Factors Affecting Financial Condition (Continued)

Debt Administration. The City of Mt. Pleasant has outstanding bonded debt. The City is in compliance with all requirements of these bond issues. See Note 7 for more details.

Risk Management. The City of Mt. Pleasant is a member of a self-insurance association operating within the State of Michigan pursuant to Public Act 138 of 1982. The purpose of the association is to administer a Risk Management Fund, which provides members with loss protection for general and vehicle liability, motor vehicle physical damage, and property damage. The City contributed \$265,710 for the period ended December 31, 2007.

Contributions are applied to the procurement of reinsurance, risk management, underwriting, payment of claims, establishment of loss reserves, and other related expenses. A member's loss contribution account is charged or credited according to the individual member's actual loss experiences. No obligation is created for payments of another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are reduced; if inadequate, future contributions are increased. Should a member have more losses paid on their behalf than contributions covering such losses, a credit is extended within the association Joint Loss Fund; such a deficit is repaid by the member in future contributions.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mt. Pleasant for its comprehensive annual financial reporting for the fiscal year ended December 31, 2006. This Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This marks the 20th consecutive year the City has received the award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes this current report continues to conform to the Certificate of Achievement program requirements, and will be submitting it to GFOA.

Awards and Acknowledgements (Continued)

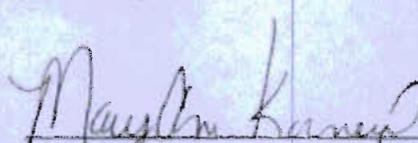
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this Report. Thank you to Sue Jones for typing the report. In addition, we would like to recognize the City Commission in general and the audit committee more specifically for its leadership and support.

Sincerely,

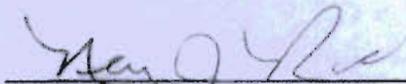


Kathie Grinzinger
City Manager

Sincerely,



Mary Ann Kornexl, CPA, CPFA
Deputy Finance Director/City Treasurer



Nancy J. Ridley
Finance Director/Assistant City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mount Pleasant
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF MT. PLEASANT
PRINCIPAL OFFICIALS
DECEMBER 31, 2007

Mayor
Jon Joslin

Vice-Mayor

Steve Bissell

City Commission

James Holton
Bruce Kilmer
David McGuire
James Moreno
Keith Spycher

City Manager

Kathie Grinzinger

Assistant City Manager - Director of Finance

Nancy J. Ridley

Deputy Finance Director - Treasurer

Mary Ann Kornexl

Director of Community Services

Rich Morrison

Director of Public Safety

William Yeagley

Director of Public Works

Duane Ellis

CITY RESIDENTS

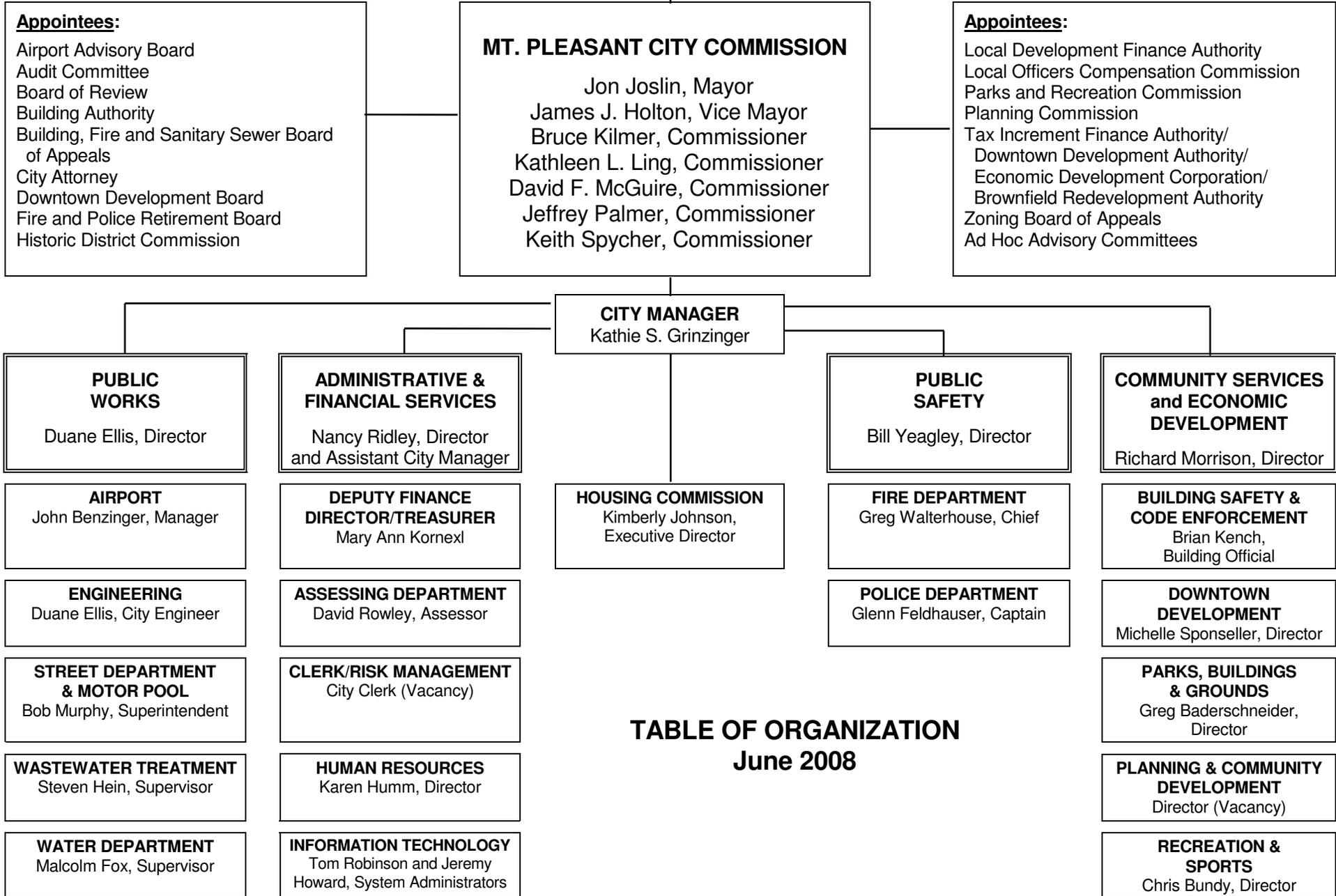


TABLE OF ORGANIZATION
June 2008





INDEPENDENT AUDITORS' REPORT

June 24, 2008

City Commission
City of Mt. Pleasant
Mt. Pleasant, Michigan 48858

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Mt. Pleasant, Michigan*, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 13 through 28, the major governmental fund budget comparisons on pages 104 through 111, and the Pension Analysis of Fund Progress on pages 112 through 114 are not required parts 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 Mt. Pleasant, Michigan's* basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables 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 section and statistical tables, as listed in the table of contents, 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 black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

This section of the City of Mt. Pleasant's financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report. All amounts, unless otherwise indicated are expressed in millions of dollars.

Financial Highlights

- ❖ The assets of the City of Mt. Pleasant exceeded its liabilities at December 31, 2007 by \$62.5 million. Of this amount \$19.9 million may be used to meet government's ongoing operations to citizens and creditors.
- ❖ The government's total net assets increased by \$1.9 million.
- ❖ As of December 31, 2007, the City of Mt. Pleasant's governmental funds reported combined ending fund balances of \$14.0 million, an increase of \$4.3 million in comparison with prior year. \$3.5 million of the increase was from Bond proceeds received in 2007 to be spent in 2008. Unreserved undesignated fund balance in the amount of \$8.7 million is available for spending at the government's discretion.
- ❖ As of December 31, 2007, unreserved undesignated fund balance for the General Fund was \$2,628,793 or 22.1% of the 2008 operating budget.
- ❖ The City of Mt. Pleasant's total debt increased by \$2,770,000 due to the issuance of bonds for purchase of the City portion of the rehabilitated Borden Building for City Hall.

Overview of the Financial Statements

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

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Mt. Pleasant that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mt. Pleasant include general government, public safety, public works, highways, streets and bridges and community development. The business-type activities of the City of Mt. Pleasant include Water, Sewer, Solid Waste, Project 2000 and Airport operations.

The government-wide financial statements include not only the City of Mt. Pleasant itself (known as the primary government), but also legally separate entities for which the City of Mt. Pleasant is financially accountable. Financial information for these component units is reported separately from the financial information presented from the primary government itself. They are the Tax Increment Financing Authorities (TIFA), Downtown Development Authority (DDA), Local Development Finance Authority (LDFA), Economic Development Corporation (EDC) and Brownfield Redevelopment Authority (BRDA). The Building Authority, although also legally separate, functions for all practical purposes as a department of the City of Mt. Pleasant, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 30-33 of this report.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

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

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

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

The City of Mt. Pleasant maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Major and Local Street funds and Community Development Block Grant Fund. The General Fund and Community Development Block Grant fund are considered to be major funds and the Major and Local Street funds have significant reporting value to the City. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mt. Pleasant adopts annual appropriated budgets for its general fund and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 34-45 of this report.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Proprietary Funds - The City of Mt. Pleasant maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mt. Pleasant uses enterprise funds to account for its Water, Sewer, Solid Waste, Project 2000 and Airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Mt. Pleasant's various functions. The City of Mt. Pleasant uses internal service funds to account for its self-insurance, central stores and for its motor pool. All of these services predominantly benefit governmental rather than business-type functions; they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water funds, both of which are considered to be major funds of the City of Mt. Pleasant. Data from the other three proprietary funds are combined into a single, aggregated presentation. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

The basic fiduciary fund financial statements can be found on pages 58-59 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 65-102 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Mt. Pleasant's progress in funding its obligation to provide pension benefits to its employees and budget to actual presentation for the general fund and major special revenue funds. Required supplementary information can be found on pages 104-114 of this report.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

The combining statements referred to earlier in connection with nonmajor governmental, proprietary and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 116-163 of this report.

Government-wide Financial Analysis

The City's combined net assets increased 2.9 percent from a year ago, increasing from \$60.7 million to \$62.5 million. A review of the governmental activities, separate from the business-type activities, shows an increase of \$1,891,127 in net assets or 5.3 percent during fiscal 2007. The business-type activities experienced a \$129,143 decrease in net assets. In a condensed format, the table below shows the net assets (in millions of dollars) as of December 31, 2007 as compared to December 31, 2006.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current Assets	\$ 18.1	\$ 13.0	\$ 7.5	\$ 6.9	\$ 25.6	\$ 19.9
Non-current Assets						
Nonrestricted	1.4	1.2	0.4	0.2	1.8	1.4
Capital Assets	<u>25.8</u>	<u>24.9</u>	<u>29.2</u>	<u>30.5</u>	<u>55.0</u>	<u>55.4</u>
Total Assets	45.3	39.1	37.1	37.6	82.4	76.7
Liabilities						
Current Liabilities	1.9	1.2	1.2	1.1	3.2	2.3
Non-current Liabilities	<u>6.1</u>	<u>2.6</u>	<u>10.6</u>	<u>11.1</u>	<u>16.7</u>	<u>13.7</u>
Total Liabilities	8.1	3.8	11.8	12.2	19.9	16.0
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	19.5	23.5	17.3	17.9	36.8	41.4
Restricted	1.7	1.3	4.1	4.0	5.8	5.3
Unrestricted	<u>16.0</u>	<u>10.5</u>	<u>3.9</u>	<u>3.5</u>	<u>19.9</u>	<u>14.0</u>
Total Net Assets	<u>\$ 37.2</u>	<u>\$ 35.3</u>	<u>\$ 25.3</u>	<u>\$ 25.4</u>	<u>\$ 62.5</u>	<u>\$ 60.7</u>

CITY OF MT. PLEASANT

Management's Discussion and Analysis

Government-wide Financial Analysis (Continued)

The following table shows the changes in net assets:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program Revenue						
Charges for Services	\$ 4.5	\$ 4.2	\$ 6.3	\$ 5.7	\$ 10.8	\$ 9.9
Operating Grants	0.7	0.6	0.0	0.0	0.7	0.6
Capital Grants	0.7	0.0	0.0	0.2	0.7	0.2
General Revenue						
Property Taxes	6.0	5.5	0.2	0.2	6.2	5.7
Revenue Sharing	3.0	3.1	0.0	0.0	3.0	3.1
Interest Earnings	0.5	0.4	0.3	0.2	0.8	0.6
Miscellaneous	0.0	0.0	0.0	0.1	0.0	0.1
Total Revenue	15.4	13.8	6.8	6.4	22.2	20.2
Program Expenses						
General Government	5.0	4.6	0.0	0.0	5.0	4.6
Public Safety	6.1	5.9	0.0	0.0	6.1	5.9
Public Works	.4	1.1	0.0	0.0	.4	1.1
Highways, Streets & Bridges	1.8	2.0	0.0	0.0	1.8	2.0
Community Development	0.0	0.0	0.0	0.0	0.0	0.0
Interest on Long-Term Debt	0.1	0.1	0.0	0.0	0.1	0.1
Sewer	0.0	0.0	3.0	3.0	3.0	3.0
Water	0.0	0.0	3.0	3.0	3.0	3.0
Solid Waste	0.0	0.0	0.4	0.6	0.4	0.6
Project 2000	0.0	0.0	0.2	0.0	0.2	0.0
Airport	0.0	0.0	0.4	0.4	0.4	0.4
Total Expenses	13.4	13.7	7.0	7.0	20.4	20.7
Excess (Deficiency) Before Transfers	2.0	0.1	-0.2	-0.6	1.8	-0.5
Transfers	-0.1	0.1	0.1	-0.1	0.0	0.0
Increase (Decrease) in Net Assets	1.9	0.2	-0.1	-0.7	1.8	-0.5
Net Assets - Beginning of Year	35.3	35.1	25.4	26.1	60.7	61.2
Net Assets - End of Year	\$ 37.2	\$ 35.3	\$ 25.3	\$ 25.4	\$ 62.5	\$ 60.7

Management's Discussion and Analysis

Government-wide Financial Analysis (Continued)

Governmental Activities. The City's total governmental revenue increased by approximately \$1.6 million. Expenses decreased by about \$.3 million. Capital Grants increased due to the grant for the Borden Building received in 2007. Public Works expenditures decreased due to less construction in 2007.

During the year, the City continued meeting the actuarial required contributions for both of the defined benefit pension systems and set aside funding for retiree health care benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the present.

Business-type Activities. The City's business-type activities consist of the Water, Sewer, Solid Waste, Airport and Project 2000. The City provides water, sewer and solid waste to all residents of the City. The number of customers remained steady. The usage for water and sewer continue to decline due to the discontinuance of using water softeners, use of low flow toilets, and drinking of bottled water. Central Michigan University significantly decreased its usage by installing low-flow faucets and showers. Customer charges for sewer consumption were increased 5%, which cost the average residential household \$.70 per month. There were no changes to the water rates.

The airport continues to see an increase in planes landing and fuel sold. During 2006, the remaining parcel in Project 2000 was developed as the final phase of the current subdivision project and marketing of the lots began in 2007. Nine lots were sold in 2007.

Business-type activities decrease in net assets of \$.1 million includes depreciation of \$1.9 million.

Financial Analysis of the Government's Funds

Our analysis of the City's major funds begins on page 34, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing and the debt retirement property tax millages.

Management’s Discussion and Analysis

Financial Analysis of the Government’s Funds (Continued)

General Fund. The General Fund receives all City revenue not designated for specific use by statutes or the City Charter and accounts for most of the services provided to residents. A comparison to the budget is on page 104. Information relative to the General Fund’s revenue, expenditures and fund balance is shown below:

	2007 Amount	2007 Percent of Total	Increase (Decrease) 2006
REVENUE			
Taxes	\$5,119,665	45.6%	\$367,938
Licenses and Permits	368,682	3.3%	(21,566)
Intergovernmental	2,973,309	26.5%	(60,965)
Charges for Services and Sales	1,107,568	9.9%	(46,462)
Fines	181,954	1.6%	8,791
Interest	350,226	3.1%	92,447
Miscellaneous	<u>852,362</u>	<u>7.6%</u>	<u>337,681</u>
Subtotal	10,953,766	97.6%	677,864
Transfers from Other Funds	<u>271,212</u>	<u>2.4%</u>	<u>(90,094)</u>
Total	<u><u>\$11,224,978</u></u>	<u><u>100.0%</u></u>	<u><u>\$587,770</u></u>

The increase in taxes is due to the increase in taxable value and more millage used for operations. The increase in miscellaneous revenue is due to an increase in donations and proceeds from the Project 2000 tax case for a portion of that taxes previously paid to offset the attorney fees paid for litigation in previous years.

CITY OF MT. PLEASANT

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

	2007 Amount	2007 Percent of Total	Increase (Decrease) 2006
EXPENDITURES			
Current Operations			
General Government	\$3,326,915	33.0%	\$ (260,306)
Public Safety	5,854,335	58.0%	36,027
Public Works	404,100	4.0%	(83,936)
Subtotal	9,585,350	95.0%	(308,215)
Transfers to Other Funds	500,630	5.0%	22,699
Total	<u>\$10,085,980</u>	<u>100.0%</u>	<u>\$ (285,516)</u>

The decrease in expenditures in 2007 is due to planned reductions in spending.

	2007 Amount	2007 Percent of Total	Increase (Decrease) 2006
FUND BALANCE			
Reserved for			
Unspent Donations	\$ 441,564	6.7%	\$ 59,834
Prepaid Expenditures	104,718	1.6%	13,022
Accrued Vacation Payable	467,444	7.1%	62,464
Designated for			
Fund Balance Policy	1,600,000	24.3%	-
Fire Truck Replacement	483,887	7.3%	190,000
Future Year's Expenditures	859,290	13.0%	309,330
Unreserved/Undesignated	2,628,793	39.9%	504,348
Total	<u>\$ 6,585,696</u>	<u>100.0%</u>	<u>\$ 1,138,998</u>

The unreserved undesignated balance is equivalent to approximately 22.1% of the 2008 operating budget.

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. A comparison to the budget begins on page 128. The Special Revenue Funds of the City include:

Major and Local Street Funds – These are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951, as amended. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets. Revenue of the Major and Local Street Funds remained nearly the same. Expenditures of both funds decreased due to less construction in 2007.

Parks & Recreation Special Programs Fund – This fund is used to account for recreation programs which generate revenue that for the most part cover the direct expenses of the programs. It allows for a yearly carryover to meet the agreements with various service clubs and/or athletic clubs. The General Fund subsidized these programs. In addition, the fund is used to account for specific donations to recreation or parks programs. Revenue and expenditures remained nearly the same.

Downtown Parking & Improvement Fund – This fund is used to record the revenue from parking meters and fines for parking meter violations to fund some maintenance and promotions in the central business district. In late 1977, the City Commission approved the removal of parking meters from streets and lots in the central business district. In 2003 a special assessment paid by property owners in the benefited area was established. This special assessment and a transfer from the General Fund, fund the activities of the fund. Revenue in the fund decreased due to a supplemental transfer from the General Fund in 2006. Expenditures increased due to spending the supplemental contribution on benches and landscaping.

Community Development Block Grant Fund – This fund is used to account for money received from federal and state grants to rehabilitate targeted residential areas. Revenue and expenditures fluctuate depending on grants received and disbursed.

Economic Development Fund – This fund is used to account for monies received from the State of Michigan and subsequently loaned to private enterprises for development purposes. During 2004 several loans were made to downtown business to provide working capital to improve their businesses. During 2007 \$100,000 was loaned to a company to expand its Mt. Pleasant facility.

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

Storm Drain Improvement Fund – This fund is used to account for Storm Drain Improvements throughout the City most of which were constructed and financed through the Isabella County Drain Commission. This debt is for a City project that is nearly paid off and is being financed by the fund balance of the fund.

Cemetery Perpetual Care Fund – This fund is used to account for a portion of the burial fees charged that is held in trust to provide for perpetual care of the cemetery.

Building Authority – This component unit is used to account for the Mt. Pleasant Building Authority established to sell bonds and construct improvements and an addition to the Department of Public Safety Building. Construction of the building was essentially complete in 2002. During 2007 the general fund paid rent to the Building Authority equal to the amount of debt service required on the bonds.

Debt Service Funds. Debt Service Funds are used to account for the accumulation of resources and payment of interest and principal on long-term debt other than bonds payable recognized in Proprietary Funds. The Debt Service Funds of the City include:

Special Assessment Bond Debt Service Fund – This fund is used to account for the assessment of special assessments to affected taxpayers for improvements that benefit their property and repayment of the one remaining bond that was used to finance a Public Works Improvement project.

Capital Projects Fund. The Capital Projects Fund is used to account for the receipts and disbursements of monies used for the acquisition of capital facilities other than those financed by proprietary funds. The City has a Capital Project fund that is used to account for the 1.85 mill levy. During 2007 the Capital Projects fund transferred to the General Fund \$72,300, Local Street \$300,000, Community Development Block Grant \$57,500 for owner occupied housing incentive program, Parks Fund \$5,000, and Downtown Parking and Improvements \$57,500 for capital projects and \$390,000 to the Borden Building Capital Improvement Fund.

Borden Building Debt Service Fund – This fund is used to account for the repayment of the \$3,685,000 bond issue dated December 13, 2007. The bond proceeds will be used to purchase a condominium interest in the Borden Building Project and related infrastructure. Revenue is received in an amount sufficient to pay debt service from a property tax levy.

Management’s Discussion and Analysis

Financial Analysis of the Government’s Funds (Continued)

Borden Building Capital Improvements Fund. This fund was created in 2005 to account for the funding sources that are currently earmarked for the Borden Building project. The Borden Building project is the renovation of a historical building in the Central Business District to become a new City Hall and office space. The City is partnering with a developer to accomplish this project. The developer started the project in late spring 2007 and plans to be completed by October 2008.

Enterprise Funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the intent of the City has decided periodic determination of net income is appropriate for accountability purposes. The City has the following Enterprise Funds. The Sewer fund is used to account for the costs of collecting and treating waste waters. The Water Fund is used to account for the costs of providing water services to City residents. The Solid Waste Management Fund is used to account for the costs of collecting and disposing of solid waste. The Airport Fund is used to account for operating and maintenance costs of the municipal airport. Revenue is received from rentals of hanger space, fuel sales and a contribution from the General Fund. The Project 2000 Fund is used to account for the sale and development of residential and light industrial property on property purchased by the City. The results of these funds for the year ended December 31, 2007 are as follows:

	Sewer		Water		Solid Waste	
	2007	Increase (Decrease)	2007	Increase (Decrease)	2007	Increase (Decrease)
Operating Revenue	\$ 2,308,667	\$ (72,264)	\$ 2,742,389	\$ 58,489	\$ 315,564	\$ 6,458
Operating Expenses	2,709,138	(23,568)	2,693,430	(49,534)	457,063	(211,461)
Operating Income (Loss)	(400,471)	(48,696)	48,959	108,023	(141,499)	217,919
Nonoperating Revenue - Net	(51,024)	89,958	(156,847)	(164,953)	270,782	50,267
Change in Net Assets	\$ (451,495)	\$ 41,262	\$ (107,888)	\$ (56,930)	\$ 129,283	\$ 268,186
Net Assets	\$ 11,895,942		\$ 8,819,581		\$ 845,298	

CITY OF MT. PLEASANT

Management’s Discussion and Analysis

Financial Analysis of the Government’s Funds (Continued)

	Project 2000		Airport	
	2007	Increase (Decrease)	2007	Increase (Decrease)
Operating Revenue	\$ 625,970	\$ 625,970	\$ 311,085	\$ (11,099)
Operating Expenses	269,420	254,782	457,820	19,972
Net Income (Loss)	356,550	371,188	(146,735)	(31,071)
Nonoperating Revenue - Net	-	263,400	52,124	(241,195)
Change in Net Assets	\$ 356,550	\$ 634,588	\$ (94,611)	\$ (272,266)
Net Assets	\$ 1,585,103		\$ 1,849,490	

Internal Service Funds. Internal Service Funds are used to account for the financing of special activities or services performed by a designated unit within the City for other units of the City. These funds are supported entirely by the sale of goods or services to other funds. The City operates the following Internal Service Funds. The Central Stores Purchasing Fund is used to account for the purchase and subsequent resale of operating, and repair and maintenance supplies to the various City departments. The Motor Vehicle and Equipment Fund is used to account for the purchase, maintenance, and operation of all motor vehicles except those of the Police and Fire Departments. The equipment is rented to the other operating funds at hourly rental rates to cover costs of the fund. The Self-Insurance Fund is used to account for the claims paid for employee health benefits and general liability claims deductibles and expenses. The individual funds and departments are charged monthly premiums to cover these costs. See Note 9 for more details.

Fiduciary Funds. Fiduciary Funds are established to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and/or funds. The Fiduciary Funds of the City include:

Pension Trust – Fire and Police Retirement System - A five member Board of Trustees manages this system under the provisions of P.A. 345 to provide pension benefits to police and fire retirees. See Note 11 for more details.

Police Retiree Medical Benefits Fund – This fund was established in 2003 to account for medical benefits provided to police retirees that retired in 2002 or later.

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

Agency Funds – The City has two Agency Funds. These include funds for tax collections and payroll.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Commission monitor and amend the budget to take into account unanticipated events that occur during the year. The most significant of these events during fiscal 2007 was the increase in beginning fund balance available from the 2006 year and the decrease in anticipated revenue sharing. Expenditure budgets changed insignificantly from the amounts originally budgeted. A comparison of the budgeted data begins on page 104. The original budget anticipated adding \$21,990 to the fund balance, the final budget projected adding \$717,360 and \$1,138,998 was actually added to fund balance during 2007. \$82,000 less revenue than budget was collected. Expenditures were \$504,000 less than budgeted due to project delays, staffing vacancies and overall savings by divisions.

Capital Assets and Debt Administration

At the end of fiscal 2007 the City had \$52.8 million invested in a wide range of capital assets, including land, building, police and fire equipment, computer equipment, and infrastructure. The City is reporting infrastructure assets, which include roads, bridges, sidewalks, and storm drains in which it has invested since 1980. The value of the capital assets, net of depreciation contained in this report, is \$52.1 and \$54.5 million for fiscal 2007 and 2006, respectively (see Note 6 of the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets (see Note 7 of the notes to the basic financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

The total City property tax millage increased .3 mills for the debt associated with the Borden Building Project and is approximately 5 mills below the maximum allowed by the charter. Property taxes represent 46% of the General Fund revenue budget. The 2008 debt levy will be increased this year when the first Borden Building bonds debt payment will be required.

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates (Continued)

Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, the ability to offer the same level of services with the same millage rate will become more difficult. Annual new growth and development in the City has fallen from a 4 percent level during the late 1990s to around 2 percent for the current year. In addition, state revenue sharing, which represents nearly 28% of our General Fund budget, is unlikely to increase due to State cutbacks and less sales tax receipts at the state level. These factors have put significant pressure on the 2008 budget.

On the expense side, the City continues to offer the same services with a smaller labor force. The cost of the labor force continues to rise as health care costs increase and the performance of the pension funds' investments decline, causing higher pension costs. The City has implemented changes to the healthcare plan, including cost sharing with employees, to help control costs.

Contacting the City's Management

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

CITY OF MT. PLEASANT

	Primary Government	
	Governmental Activities	Business-type Activities
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 16,294,703	\$ 6,384,631
Receivables	1,905,647	650,554
Internal Balances	(312,405)	312,405
Other	258,589	179,458
Total Current Assets	18,146,534	7,527,048
Non-Current Assets		
Receivables	1,392,381	364,000
Bond Issuance Costs	-	112,163
Development Costs	-	686,562
Non depreciable Assets	7,648,353	428,308
Capital Assets - Net of Accumulated Depreciation	18,152,522	28,037,784
Total Non-Current Assets	27,193,256	29,628,817
Total Assets	45,339,790	37,155,865
LIABILITIES		
Current Liabilities		
Accounts Payable and Other Liabilities	1,618,548	550,125
Unearned Revenue	-	21,662
Long-Term Debt Due within One Year	385,000	625,000
Total Current Liabilities	2,003,548	1,196,787
Non-Current Liabilities		
Other Liabilities	260,027	-
Long-Term Debt Due in more than One Year	5,840,505	10,651,259
Total Non-Current Liabilities	6,100,532	10,651,259
Total Liabilities	8,104,080	11,848,046
NET ASSETS		
Invested in Capital Assets -		
Net of Related Debt	19,575,370	17,189,833
Restricted		
Donations	1,007,370	124,000
Grants/Bond/Ordinance Requirements	328,050	2,813,158
Debt Service	388,937	1,126,193
Unrestricted	15,935,983	4,054,635
Total Net Assets	\$ 37,235,710	\$ 25,307,819

**Statement of Net Assets
December 31, 2007**

<u>Primary Government</u>	<u>Component Units</u>
<u>Total</u>	
\$ 22,679,334	\$ 1,307,135
2,556,201	253,883
-	-
438,047	-
<hr/>	<hr/>
25,673,582	1,561,018
1,756,381	-
112,163	-
686,562	-
8,076,661	427,776
46,190,306	1,140,748
<hr/>	<hr/>
56,822,073	1,568,524
<hr/>	<hr/>
82,495,655	3,129,542
<hr/>	<hr/>
2,168,673	20,957
21,662	-
1,010,000	170,000
<hr/>	<hr/>
3,200,335	190,957
260,027	9,653
16,491,764	820,000
<hr/>	<hr/>
16,751,791	829,653
<hr/>	<hr/>
19,952,126	1,020,610
36,765,203	1,568,524
1,131,370	48,541
3,141,208	166,640
1,515,130	-
19,990,618	325,227
<hr/>	<hr/>
<u>\$ 62,543,529</u>	<u>\$ 2,108,932</u>

CITY OF MT. PLEASANT

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 4,876,310	\$ 1,762,351	\$ -	\$ 667,097
Public Safety	6,108,607	988,905	660,617	-
Public Works	417,474	895	9,687	-
Highways, Streets & Bridges	1,784,730	1,629,369	-	-
Community Development	-	116,967	-	-
Interest on Long-Term Debt	127,586	-	-	-
Total Governmental Activities	13,314,707	4,498,487	670,304	667,097
Business-type Activities				
Sewer	2,945,669	2,308,667	-	-
Water	2,933,809	2,742,389	1,474	-
Solid Waste	449,021	315,564	-	-
Project 2000	269,206	625,970	14,164	-
Airport	456,984	311,085	-	-
Total Business-type Activities	7,054,689	6,303,675	15,638	-
Total Primary Government	\$ 20,369,396	\$ 10,802,162	\$ 685,942	\$ 667,097
Component Units				
EDC	\$ 344,914	\$ -	\$ -	\$ -
TIFA	565,758	-	-	-
DDA	213,739	-	-	-
LDFA	169,906	-	-	-
Brownfield	1,500	-	-	-
Total Component Units	\$ 1,295,817	\$ -	\$ -	\$ -
General Revenue				
Property Taxes				
Captured Tax Increments				
Revenue Sharing, unrestricted				
Interest Earnings				
Miscellaneous				
Total General Revenue				
Transfers				
Total General Revenue and Transfers				
Change in Net Assets				
Net Assets - January 1				
Net Assets - December 31				

Statement of Activities Year Ended December 31, 2007

Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,446,862)	\$ -	\$ (2,446,862)	
(4,459,085)	-	(4,459,085)	
(406,892)	-	(406,892)	
(155,361)	-	(155,361)	
116,967	-	116,967	
(127,586)	-	(127,586)	
(7,478,819)	-	(7,478,819)	
-	(637,002)	(637,002)	
-	(189,946)	(189,946)	
-	(133,457)	(133,457)	
-	370,928	370,928	
-	(145,899)	(145,899)	
-	(735,376)	(735,376)	
(7,478,819)	(735,376)	(8,214,195)	
			\$ (344,914)
			(565,758)
			(213,739)
			(169,906)
			(1,500)
			(1,295,817)
6,004,792	185,753	6,190,545	-
-	-	-	1,049,138
2,948,183	-	2,948,183	-
541,918	283,026	824,944	59,295
12,507	-	12,507	198,000
9,507,400	468,779	9,976,179	1,306,433
(137,454)	137,454	-	-
9,369,946	606,233	9,976,179	1,306,433
1,891,127	(129,143)	1,761,984	10,616
35,344,583	25,436,962	60,781,545	2,098,316
\$ 37,235,710	\$ 25,307,819	\$ 62,543,529	\$ 2,108,932

CITY OF MT. PLEASANT

	<u>General</u>	<u>Major Street</u>
ASSETS		
Common Cash and Investments	\$ 5,683,031	\$ 688,074
Other Cash	11,148	-
Receivables		
Taxes	285,607	-
Special Assessments	-	-
Accounts	79,713	-
Accrued Interest	153,717	-
Contracts	-	-
Due From Other Governmental Units	527,238	178,863
Long Term Advance to Component Unit	-	-
Prepaid Items	104,718	44,750
	<u>104,718</u>	<u>44,750</u>
Total Assets	<u>\$ 6,845,172</u>	<u>\$ 911,687</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 240,497	\$ 9,342
Contractor Retainage	8,798	-
Accrued Liabilities	778	-
Deferred Revenue	9,403	-
	<u>9,403</u>	<u>-</u>
Total Liabilities	259,476	9,342

**Governmental Funds
Balance Sheet
December 31, 2007
(Continued)**

Local Street	Community Development Block Grant	Borden Building	Other Nonmajor Governmental	Total Governmental
\$ 565,255	\$ 377,652	\$ 3,023,495	\$ 1,988,731	\$ 12,326,238
5,000	141,570	58,409	228,283	444,410
-	-	-	91,042	376,649
-	-	-	296,047	296,047
-	-	200	-	79,913
-	-	-	-	153,717
-	1,044,144	3,253	147,987	1,195,384
56,303	-	403,106	-	1,165,510
-	-	-	9,653	9,653
-	-	-	-	149,468
<u>\$ 626,558</u>	<u>\$ 1,563,366</u>	<u>\$ 3,488,463</u>	<u>\$ 2,761,743</u>	<u>\$ 16,196,989</u>
\$ 3,461	\$ -	\$ 330,437	\$ 33,284	\$ 617,021
5,000	-	58,409	-	72,207
-	-	-	-	778
-	1,044,144	-	405,925	1,459,472
8,461	1,044,144	388,846	439,209	2,149,478

CITY OF MT. PLEASANT

	<u>General</u>	<u>Major Street</u>
FUND BALANCE		
Reserved		
Future Expenditures	\$ 909,008	\$ 15,399
Prepaid Expenditures	104,718	44,750
Debt Service	-	-
Unreserved/Undesignated		
General Fund	2,628,793	-
Special Revenue Funds	-	842,196
Capital Projects Fund	-	-
Unreserved/Designated		
General Fund	2,943,177	-
Special Revenue Funds	-	-
Capital Projects Fund	-	-
	<u>6,585,696</u>	<u>902,345</u>
Total Fund Balance		
	<u>\$ 6,845,172</u>	<u>\$ 911,687</u>
Total Liabilities and Fund Balance		

**Governmental Funds
Balance Sheet
December 31, 2007
(Continued)**

<u>Local Street</u>	<u>Community Development Block Grant</u>	<u>Borden Building</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 83,992	\$ 247,000	\$ 343,604	\$ 1,599,003
-	-	-	-	149,468
-	-	-	388,937	388,937
-	-	-	-	2,628,793
618,097	435,230	-	736,629	2,632,152
-	-	2,852,617	318,316	3,170,933
-	-	-	-	2,943,177
-	-	-	210,048	210,048
-	-	-	325,000	325,000
<u>618,097</u>	<u>519,222</u>	<u>3,099,617</u>	<u>2,322,534</u>	<u>14,047,511</u>
<u>\$ 626,558</u>	<u>\$ 1,563,366</u>	<u>\$ 3,488,463</u>	<u>\$ 2,761,743</u>	<u>\$ 16,196,989</u>

CITY OF MT. PLEASANT

**Governmental Funds
Reconciliation of Fund Balance
to the Statement of Net Assets
December 31, 2007**

Total fund balance for governmental funds	\$ 14,047,511
Amount reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	24,931,156
Certain receivables are expected to be collected over several years in governmental activities and are not available to pay for current year expenditures	1,459,470
Long-term liabilities and accrued interest not due and payable in the current period are not reported in the funds	(7,046,338)
Internal Service Funds are included as part of governmental activities	<u>3,843,911</u>
Net assets of governmental activities	<u><u>\$ 37,235,710</u></u>

CITY OF MT. PLEASANT

	<u>General</u>	<u>Major Street</u>
REVENUE		
Taxes	\$ 5,119,665	\$ -
Special Assessments	-	-
Licenses and Permits	368,682	-
Intergovernmental		
Grants	25,126	-
Revenue Sharing	2,948,183	1,157,098
Other	-	19,217
Charges for Service and Sales	1,107,568	7,078
Fines	181,954	-
Interest	350,226	34,404
Miscellaneous	852,362	131
	<hr/>	<hr/>
Total Revenue	10,953,766	1,217,928
EXPENDITURES		
Current Operations		
General Government	3,326,915	-
Public Safety	5,854,335	-
Public Works	404,100	-
Highways, Streets and Bridges	-	645,429
Community Development	-	-
Debt Service		
Principal	-	-
Interest	-	-
Other	-	-
	<hr/>	<hr/>
Total Expenditures	9,585,350	645,429
Excess of Revenue Over (Under) Expenditures	1,368,416	572,499

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2007
(Continued)**

Local Street	Community Development Block Grant	Borden Building	Other Nonmajor Governmental	Total Governmental
\$ -	\$ -	\$ -	\$ 875,726	\$ 5,995,391
-	-	-	116,123	116,123
-	-	-	-	368,682
-	-	667,097	-	692,223
373,375	-	-	-	4,478,656
-	-	-	-	19,217
72,600	42,074	-	427,732	1,657,052
-	-	-	35,808	217,762
23,000	3,985	40,798	89,576	541,989
-	-	-	368,860	1,221,353
468,975	46,059	707,895	1,913,825	15,308,448
-	-	-	911,217	4,238,132
-	-	-	-	5,854,335
-	-	2,166,919	73,901	2,644,920
823,429	-	-	-	1,468,858
-	-	-	102,500	102,500
-	-	-	245,000	245,000
-	-	-	109,098	109,098
-	-	-	850	850
823,429	-	2,166,919	1,442,566	14,663,693
(354,454)	46,059	(1,459,024)	471,259	644,755

CITY OF MT. PLEASANT

	<u>General</u>	<u>Major Street</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	\$ 271,212	\$ -
Transfers Out	(500,630)	(317,913)
Issuance of Debt	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(229,418)</u>	<u>(317,913)</u>
Net Change in Fund Balances	1,138,998	254,586
Fund Balance - January 1	<u>5,446,698</u>	<u>647,759</u>
Fund Balance - December 31	<u><u>\$ 6,585,696</u></u>	<u><u>\$ 902,345</u></u>

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2007
(Continued)**

<u>Local Street</u>	<u>Community Development Block Grant</u>	<u>Borden Building</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 581,280 (48,400) -	\$ - - -	\$ - (76,700) 3,787,326	\$ 429,670 (434,154) -	\$ 1,282,162 (1,377,797) 3,787,326
<u>532,880</u>	<u>-</u>	<u>3,710,626</u>	<u>(4,484)</u>	<u>3,691,691</u>
178,426	46,059	2,251,602	466,775	4,336,446
<u>439,671</u>	<u>473,163</u>	<u>848,015</u>	<u>1,855,759</u>	<u>9,711,065</u>
<u>\$ 618,097</u>	<u>\$ 519,222</u>	<u>\$ 3,099,617</u>	<u>\$ 2,322,534</u>	<u>\$ 14,047,511</u>

CITY OF MT. PLEASANT

**Governmental Funds
Reconciliation of Statement of Revenue,
Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2007**

Net change in fund balance - Total Governmental Funds \$ 4,336,446

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

Governmental funds report capital outlay as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. 946,956

In the General fund delinquent personal property taxes receivable is recorded as revenue when collected rather than when the tax was levied. 9,402

Special assessment revenue is recorded in the Statement of Activities when the assessment is earned (i.e. work is substantially complete); they are not recorded in the governmental funds until levied. In the current year, more was earned than collected. 4,558

In Special revenue funds revenue from contracts receivable is recorded when collected rather than when the contract was entered into. In the current year, more was collected than new contracts entered into. (61,439)

In Special revenue funds monies loaned are recorded as expenditures in the current year rather than contract receivable in the Statement of Activities. 102,500

In Special revenue funds revenue from interest receivable is recorded when collected rather than when the interest was earned. In the current year, interest earned was not all collected. 40,500

Repayment of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt). 245,000

CITY OF MT. PLEASANT

**Governmental Funds
Reconciliation of Statement of Revenue,
Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2007**

Receipt of bond proceeds is revenue in the governmental funds, but in the Statement of Activities is a liability	\$ (3,787,326)
Bond issue costs are an expenditure in the governmental funds, but in the Statement of Activities are amortized over the life of the bonds	75,329
Amortize bond premium	6,821
Accumulated employee sick & vacation pay, is recorded when earned in the Statement of Activities.	(246,650)
Interest payable on long-term debt is recorded when due in the Statement of Activities and when paid in governmental funds.	(19,078)
Internal Service Funds are included as part of governmental activities.	<u>238,108</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,891,127</u></u>

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Sewer</u>	<u>Water</u>
ASSETS		
Current Assets		
Common Cash and Investments	\$ 576,013	\$ 483,102
Other Cash	30,000	89,500
Other Investments	-	-
Restricted Common Cash and Investments	1,871,785	1,377,527
Restricted Cash	-	371,629
Taxes Receivable	-	-
Accounts Receivable	293,226	291,822
Accrued Interest Receivable	-	-
Prepaid Expense	15,214	11,687
Inventory	-	89,200
	<hr/>	<hr/>
Total Current Assets	2,786,238	2,714,467
Noncurrent Assets		
Contracts Receivable	-	-
Bond Issuance Costs	-	112,163
Development Cost	-	-
Capital Assets	34,170,208	23,465,086
Less: Accumulated Depreciation	<u>(19,845,672)</u>	<u>(10,954,166)</u>
	<hr/>	<hr/>
Total Noncurrent Assets	14,324,536	12,623,083
	<hr/>	<hr/>
Total Assets	17,110,774	15,337,550

**Proprietary Funds
Statement of Net Assets
December 31, 2007
(Continued)**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 1,266,565	\$ 2,325,680	\$ 1,305,644
100	119,600	492,862
-	-	1,591,119
318,410	3,567,722	134,430
-	371,629	-
9,753	9,753	-
55,753	640,801	9,842
-	-	11,313
1,747	28,648	4,897
61,610	150,810	104,224
<u>1,713,938</u>	<u>7,214,643</u>	<u>3,654,331</u>
364,000	364,000	-
-	112,163	-
686,562	686,562	-
3,204,175	60,839,469	3,561,908
<u>(1,573,539)</u>	<u>(32,373,377)</u>	<u>(2,692,189)</u>
<u>2,681,198</u>	<u>29,628,817</u>	<u>869,719</u>
4,395,136	36,843,460	4,524,050

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Sewer</u>	<u>Water</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 243,680	\$ 22,940
Contractor Retainage Payable	30,000	50,667
Accrued Expenses	43,181	57,887
Unearned Revenue	7,971	216
Bonds and Loan Payable	<u>275,000</u>	<u>350,000</u>
Total Current Liabilities	599,832	481,710
Noncurrent Liabilities		
Bonds and Loans Payable	<u>4,615,000</u>	<u>6,036,259</u>
Total Liabilities	5,214,832	6,517,969
NET ASSETS		
Invested in Capital Assets	9,434,536	6,236,824
Restricted for:		
Future Projects	-	-
Replacement	1,342,292	1,152,456
Debt Service	529,493	596,700
Unrestricted	<u>589,621</u>	<u>833,601</u>
Total Net Assets	<u>\$ 11,895,942</u>	<u>\$ 8,819,581</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because of the allocation of Internal Service Fund Excess to business-type activities

Net Assets of Business-type Activities on
Statement of Net Assets

**Proprietary Funds
Statement of Net Assets
December 31, 2007
(Continued)**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 101,770	\$ 368,390	\$ 103,341
-	80,667	-
-	101,068	264,393
13,475	21,662	-
-	625,000	-
<u>115,245</u>	<u>1,196,787</u>	<u>367,734</u>
-	10,651,259	-
<u>115,245</u>	<u>11,848,046</u>	<u>367,734</u>
1,630,636	17,301,996	869,719
124,000	124,000	-
318,410	2,813,158	134,430
-	1,126,193	-
<u>2,206,845</u>	<u>3,630,067</u>	<u>3,152,167</u>
<u>\$ 4,279,891</u>	<u>24,995,414</u>	<u>\$ 4,156,316</u>
	<u>312,405</u>	
	<u>\$ 25,307,819</u>	

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Sewer</u>	<u>Water</u>
OPERATING REVENUE		
Charges for Service and Sales	\$ 2,306,136	\$ 2,715,231
Miscellaneous	<u>2,531</u>	<u>27,158</u>
Total Operating Revenue	2,308,667	2,742,389
OPERATING EXPENSES		
Compensation	726,404	847,077
Supplies	298,760	496,434
Professional Services	181,429	363,659
Training	8,934	4,215
Utilities	172,991	242,109
Insurance Claims	-	-
Other Expenses	106,817	113,556
Depreciation	<u>1,213,803</u>	<u>626,380</u>
Total Operating Expenses	<u>2,709,138</u>	<u>2,693,430</u>
Operating Income (Loss)	(400,471)	48,959

**Proprietary Funds
Statement of Revenue, Expenses, and
Changes in Net Assets
Year Ended December 31, 2007
(Continued)**

<u>Enterprise Funds</u>		<u>Internal Service Funds</u>
<u>Nonmajor</u>	<u>Total</u>	
\$ 1,252,619	\$ 6,273,986	\$ 2,847,994
-	29,689	-
<u>1,252,619</u>	<u>6,303,675</u>	<u>2,847,994</u>
93,841	1,667,322	178,153
203,470	998,664	222,464
488,172	1,033,260	343,143
-	13,149	2,728
27,872	442,972	27,695
-	-	1,726,188
236,781	457,154	28,293
<u>134,167</u>	<u>1,974,350</u>	<u>144,926</u>
<u>1,184,303</u>	<u>6,586,871</u>	<u>2,673,590</u>
68,316	(283,196)	174,404

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Sewer</u>	<u>Water</u>
NON-OPERATING REVENUE (EXPENSES)		
Property Taxes	\$ -	\$ -
Federal/State Grants	-	1,474
Interest Income	128,097	112,567
Proceed from Sale of Capital Investment	-	-
Interest Expense	(247,850)	(216,370)
Other	-	(42,616)
	<u>-</u>	<u>(42,616)</u>
Total Non-Operating Revenue (Expenses)	<u>(119,753)</u>	<u>(144,945)</u>
Income (Loss) Before Transfers	(520,224)	(95,986)
Transfers In	125,800	76,700
Transfers Out	<u>(57,071)</u>	<u>(88,602)</u>
Change in Net Assets	(451,495)	(107,888)
Net Assets - January 1	<u>12,347,437</u>	<u>8,927,469</u>
Net Assets - December 31	<u>\$ 11,895,942</u>	<u>\$ 8,819,581</u>

Some amounts reported in the business-type activities in the Statement of Activities are different because of the allocation of Internal Service Fund excess to business-type activities

Changes in net assets of business-type activities on the Statement of Activities

**Proprietary Funds
Statement of Revenue, Expenses, and
Changes in Net Assets
Year Ended December 31, 2007
(Continued)**

Enterprise Funds		Internal Service Funds
Nonmajor	Total	
\$ 185,753	\$ 185,753	\$ -
14,164	15,638	-
42,362	283,026	98,586
-	-	45,955
-	(464,220)	-
-	(42,616)	-
242,279	(22,419)	144,541
310,595	(305,615)	318,945
141,510	344,010	-
(60,883)	(206,556)	(41,819)
391,222	(168,161)	277,126
3,888,669		3,879,190
\$ 4,279,891		\$ 4,156,316
	39,018	
	\$ (129,143)	

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>
	<u>Sewer</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 2,412,242
Payments to Employees	(732,363)
Payments to Suppliers and Contractors	(438,951)
Claims Paid	-
Other Payments	<u>(106,817)</u>
Net Cash Provided (Used) by Operating Activities	1,134,111
Cash Flows from Non-Capital Financing Activities	
Property Taxes	-
Operating Subsidies	125,800
Transfers to Other Funds	<u>(57,071)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	68,729
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(435,324)
Proceed from Sale of Capital Investment	-
Federal/State Grants	-
Issuance of Debt	-
Payments to escrow agent	-
Principal Paid on Loans	(260,000)
Interest Paid on Loans & Paying Agent Fees	<u>(248,890)</u>
Net Cash (Used) by Capital and Related Financing Activities	(944,214)

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2007
(Continued)**

Enterprise Funds			Internal Service Funds
Water	Nonmajor	Total	
\$ 2,863,262	\$ 1,254,466	\$ 6,529,970	\$ 2,844,958
(856,955)	(93,841)	(1,683,159)	(178,153)
(1,146,342)	(789,791)	(2,375,084)	(524,254)
-	-	-	(1,656,207)
(113,556)	(236,781)	(457,154)	(28,293)
746,409	134,053	2,014,573	458,051
-	184,190	184,190	-
76,700	141,395	343,895	-
(88,602)	(60,883)	(206,556)	(41,819)
(11,902)	264,702	321,529	(41,819)
(406,818)	(21,440)	(863,582)	(107,954)
-	-	-	45,955
1,474	14,164	15,638	-
5,333,513	-	5,333,513	-
(5,345,614)	-	(5,345,614)	-
(260,000)	-	(520,000)	-
(308,870)	-	(557,760)	-
(986,315)	(7,276)	(1,937,805)	(61,999)

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>
	<u>Sewer</u>
Cash Flow from Investing Activities	
Purchase of Investments	\$ -
Sale of Development Properties	-
Interest Income	<u>128,097</u>
Net Cash Provided (Used) by Investing Activities	<u>128,097</u>
Net Increase (Decrease) in Cash and Cash Equivalents	386,723
Cash and Cash Equivalents - January 1	<u>2,091,075</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 2,477,798</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities	
Operating Income (Loss)	\$ (400,471)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operations	
Depreciation	1,213,803
Changes in Assets and Liabilities	
Accounts Receivable	101,325
Due from Other Governmental Units	-
Contracts Receivable	-
Prepaid Expense	(318)
Inventory	-
Accounts Payable	218,170
Contractor Retainage Payable	5,311
Accrued Expenses	(5,959)
Unearned Revenue	<u>2,250</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,134,111</u></u>

**Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2007
(Continued)**

Enterprise Funds			Internal Service Funds
Water	Nonmajor	Total	
\$ -	\$ -	\$ -	\$ (552,831)
-	236,650	236,650	-
112,567	42,362	283,026	97,919
112,567	279,012	519,676	(454,912)
(139,241)	670,491	917,973	(100,679)
2,460,999	914,584	5,466,658	2,033,615
<u>\$ 2,321,758</u>	<u>\$ 1,585,075</u>	<u>\$ 6,384,631</u>	<u>\$ 1,932,936</u>
\$ 48,959	\$ 68,316	\$ (283,196)	\$ 174,404
626,380	134,167	1,974,350	144,926
90,475	(151,309)	40,491	(3,036)
328	180,356	180,684	-
30,070	-	30,070	-
(268)	(36)	(622)	(244)
6,900	(29,490)	(22,590)	(9,037)
(33,717)	(15,756)	168,697	93,057
(12,840)	(51,725)	(59,254)	-
(9,878)	-	(15,837)	57,981
-	(470)	1,780	-
<u>\$ 746,409</u>	<u>\$ 134,053</u>	<u>\$ 2,014,573</u>	<u>\$ 458,051</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MT. PLEASANT

**Fiduciary Funds
Statement of Net Assets
December 31, 2007**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Common Cash	\$ -	\$ 54,220
Other Cash	28,104	1,518,152
Investments, at fair value:		
Mutual Funds	19,797,746	-
Money Market Funds	447,125	-
Real Estate	55,185	-
Taxes Receivable	-	2,853,477
	<hr/>	<hr/>
Total Assets	20,328,160	<u><u>\$ 4,425,849</u></u>
LIABILITIES		
Taxes Payable	-	\$ 4,337,608
Withholding Payable	-	88,241
	<hr/>	<hr/>
Total Liabilities	-	<u><u>\$ 4,425,849</u></u>
NET ASSETS		
Held in trust for pensions and other benefits and other purposes	<u><u>\$ 20,328,160</u></u>	

CITY OF MT. PLEASANT

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2007

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 431,066
Employee	143,923
	574,989
Investment Income	
Net decrease in fair value of investments	(220,222)
Interest	32,021
Dividends	1,712,552
	1,524,351
Total Additions	2,099,340
DEDUCTIONS	
Benefit payments	955,829
Administration expense	19,495
	975,324
CHANGE IN NET ASSETS	1,124,016
NET ASSETS - JANUARY 1	19,204,144
NET ASSETS - DECEMBER 31	\$ 20,328,160

CITY OF MT. PLEASANT

	Economic Development Corporation	Tax Increment Finance Authority
ASSETS		
Common Cash and Investments	\$ 92,933	\$ 872,197
Taxes Receivable	-	96,375
Land and other non-depreciable assets	53,808	367,868
Other Capital Assets, Net of Depreciation	<u>160,950</u>	<u>875,218</u>
 Total Assets	 307,691	 2,211,658
LIABILITIES		
Accounts Payable	-	548
Accrued Liabilities	-	7,672
Advance from Primary Government	-	-
Long Term Liabilities		
Due within one year	-	85,000
Due in more than one year	<u>-</u>	<u>410,000</u>
 Total Liabilities	 -	 503,220
Net Assets		
Invested in capital assets, net of related debt	214,758	1,243,086
Restricted for		
State Payback	-	85,440
Capital Projects	-	48,541
Unrestricted	<u>92,933</u>	<u>331,371</u>
 Total Net Assets (Deficit)	 <u>\$ 307,691</u>	 <u>\$ 1,708,438</u>

**Component Units
Statement of Net Assets
December 31, 2007**

Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
\$ 267,647	\$ 44,603	\$ 29,755	\$ 1,307,135
127,211	22,191	8,106	253,883
6,100	-	-	427,776
104,580	-	-	1,140,748
505,538	66,794	37,861	3,129,542
5,063	-	-	5,611
7,674	-	-	15,346
-	9,653	-	9,653
85,000	-	-	170,000
410,000	-	-	820,000
507,737	9,653	-	1,020,610
110,680	-	-	1,568,524
81,200	-	-	166,640
-	-	-	48,541
(194,079)	57,141	37,861	325,227
<u>\$ (2,199)</u>	<u>\$ 57,141</u>	<u>\$ 37,861</u>	<u>\$ 2,108,932</u>

CITY OF MT. PLEASANT

	<u>Expenses</u>	<u>Program Revenue</u>
		<u>Capital Grants and Contributions</u>
Economic Development Corporation		
EDC Operations	\$ 336,214	\$ -
Depreciation	8,700	-
Total EDC	344,914	-
TIFA		
TIFA Operations	406,058	-
Administration	13,782	-
Interest and Paying Agent		
Fees on Long-term Debt	33,052	-
Depreciation	112,866	-
Total TIFA	565,758	-
DDA		
DDA Operations	102,886	-
Administration	34,455	-
Interest and Paying Agent		
Fees on Long-term Debt	32,560	-
Depreciation	43,838	-
Total DDA	213,739	-
LDFA		
LDFA Operations	163,906	-
Administration	6,000	-
Total LDFA	169,906	-
Brownfield Development Authority		
Administration	1,500	-
Total Component Units	<u>\$ 1,295,817</u>	<u>\$ -</u>

General Revenue:
 Captured Tax Increments
 Investment Earnings
 Miscellaneous

Total General Revenue

Change in Net Assets

Net Assets (Deficit) - January 1

Net Assets - December 31

**Component Units
Statement of Activities
Year Ended December 31, 2007**

Net (Expense) Revenue and Changes in Net Assets					
Economic Development Corporation	Tax Increment Finance Authority	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
\$ (336,214)	\$ -	\$ -	\$ -	\$ -	\$ (336,214)
(8,700)	-	-	-	-	(8,700)
(344,914)	-	-	-	-	(344,914)
-	(406,058)	-	-	-	(406,058)
-	(13,782)	-	-	-	(13,782)
-	(33,052)	-	-	-	(33,052)
-	(112,866)	-	-	-	(112,866)
-	(565,758)	-	-	-	(565,758)
-	-	(102,886)	-	-	(102,886)
-	-	(34,455)	-	-	(34,455)
-	-	(32,560)	-	-	(32,560)
-	-	(43,838)	-	-	(43,838)
-	-	(213,739)	-	-	(213,739)
-	-	-	(163,906)	-	(163,906)
-	-	-	(6,000)	-	(6,000)
-	-	-	(169,906)	-	(169,906)
-	-	-	-	(1,500)	(1,500)
(344,914)	(565,758)	(213,739)	(169,906)	(1,500)	(1,295,817)
-	514,808	384,914	119,310	30,106	1,049,138
-	44,125	10,294	4,876	-	59,295
-	198,000	-	-	-	198,000
-	756,933	395,208	124,186	30,106	1,306,433
(344,914)	191,175	181,469	(45,720)	28,606	10,616
652,605	1,517,263	(183,668)	102,861	9,255	2,098,316
<u>\$ 307,691</u>	<u>\$ 1,708,438</u>	<u>\$ (2,199)</u>	<u>\$ 57,141</u>	<u>\$ 37,861</u>	<u>\$ 2,108,932</u>

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Year Ended December 31, 2007**

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Year Ended December 31, 2007**

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**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Mt. Pleasant have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City is organized under Michigan's Comprehensive Home Rule City Act. A seven member City Commission is the governing body elected by the community at large. The City Commission selects a Mayor from its members and appoints a City Manager.

Discretely Presented Component Units - The following component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. They are the Tax Increment Financing Authority (TIFA), Downtown Development Authority (DDA), Local Development Finance Authority (LDFA), Economic Development Corporation (EDC) and Brownfield Redevelopment Authority (BRDA).

The members of the LDFA are all appointed by the City Commission. The LDFA is responsible for the creation and promotion of the University Park Smartzone. The budget and expenditures of the LDFA must be approved by the City Commission.

The members of the TIFA, DDA, EDC & BRDA boards are the same and are all appointed by the City Commission. The City is contingently liable for the TIFA/DDA Bonds and is responsible for compliance with federal grants received in conjunction with the TIFA/DDA projects. The City Commission must approve the budget and expenditures of the TIFA/DDA/BRDA. The EDC was established to hold title to land purchased in the City for economic development. The Project Plan for the EDC requires that all proceeds from the sale of these lands be returned to the City. All of the component units have separately issued financial statements that are available at the City Treasurer's office in City Hall.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Blended Component Unit - The Building Authority is blended with the Special Revenue funds in the governmental financial statements, because it provides service to the City only. The members of the Building Authority are all appointed by the City Commission. The Building Authority is responsible for the debt associated with the Department of Public Safety building renovation and expansion. The budget of the Building Authority must be approved by the City Commission. The general fund of the City of Mt. Pleasant is responsible to pay the Building Authority annual rent equal to the amount of debt service for the year. At the end of the lease, the building is to be deeded to the City of Mt. Pleasant.

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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 properly excluded from program revenue are reported as general revenue.

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

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

City property taxes are levied and become an enforceable lien on property as of July 1. Taxes are due without penalty until July 31. After July 31, delinquent taxes are collected including a penalty of 1% per month. These summer tax bills include the City's own property taxes and taxes billed on behalf of the school district, District Library and the County. Real property taxes not collected as of March 1 are turned over to Isabella County for collection. The County advances the City 100% of the balance outstanding for the delinquent real taxes and special assessments. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Property taxes levied in July of each year are recognized as revenue in that year. Delinquent taxes due from taxpayers at year end to be advanced by the County at the March settlement are recorded as receivable in the Special Agency Fund (Fiduciary Fund - Agency fund type).

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Major and Local Streets are used to account for the receipt and expenditures of state shared gas and weight taxes under P.A. 1951, as amended.
- The Community Development Block grant fund accounts for money received from federal and state grants to rehabilitate targeted residential areas.
- The Borden Building Capital Project Fund is used to account for the bond proceeds and construction of the City's portion of the Borden Building rehabilitation.

The City reports the following major proprietary funds:

- The Sewer Fund accounts for the cost of collecting and treating waste water.
- The Water Fund accounts for the costs of providing water services to City residents and businesses.

Additionally, the government reports the following fund types:

- Internal service funds account for major machinery and equipment purchases and maintenance, as well as the City's Self Insurance activities for medical and liability coverage.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

- The pension and other retiree benefits trust fund accounts for the activities of the police and fire employees retirement system which accumulates resources for pension benefit payments to qualified police and fire employees and for medical benefits provided to qualified police employees during retirement.
- Agency funds account for monies collected on behalf of other agencies that are later disbursed to them, including property tax collections and imprest payroll.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

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 government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the costs of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments – The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short –term investments with a maturity of three months or less when acquired. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments, including pension funds, are stated at fair value, (quoted market price or the best available estimate). Land held as an investment in the pension fund is estimated based on financial data provided by the partnership that owns the land.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years except for vehicles and computer software which are depreciated faster, in accordance with the schedule below. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 years
Building Improvements	30 years
Water and Sewer Lines	30 years
Roads	40 years
Other Infrastructure	15 to 50 years
Vehicles	2 to 30 years
Office Equipment	5 to 10 years
Computer Software	3 to 5 years
Land Improvements	15 years

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences (Vacation and Sick Leave) – The City’s policy allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation benefits as they are earned and sick pay as it is used or vested whichever is earlier. The sick and vacation pay that is due to employees eligible for retirement for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations. Since the benefit has not matured, for example, as a result of employee resignations or retirements, it is not considered a liability in the governmental funds.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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 changes.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget is adopted in accordance with Public Act 493. In accordance with this Act, budgets are adopted on an annual basis for General and Special Revenue funds. Informational Summaries are adopted for Capital Projects, Debt Service and Proprietary Funds as a management control device. The budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Since the Building Authority is considered a Component Unit of the City, no budget is adopted for this fund.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The budget and approved appropriations lapse at the end of the fiscal year. The City does not formally record encumbrances in the accounting records during the year as a normal practice, and no outstanding encumbrances exist at December 31, 2007.

The budget is adopted with legal budgetary control at the fund level (i.e., expenditures may not exceed budgeted appropriations at the fund level), except for the General Fund, which is adopted at the division level. General Fund expenditures cannot exceed the budgeted appropriations at the division level. The division level is an aggregation of various departments within the General Fund. The City Manager and the Finance Director are authorized to transfer budgeted amounts within a division; however, any revisions that alter the total expenditures of any division in the General Fund or fund total for all other funds require approval of the City Commission and passage of a resolution. The City has made no subsequent appropriations.

Expenditures were in excess of budgeted amounts at the legal level of control in the following:
Storm Drain Improvement Fund – \$796

B. State Construction Code Act

Public Act 245 of 1999 amends the State Construction Code. The amendment requires that legislative bodies establish “reasonable fees” which “bear a reasonable relationship” to the cost of operating the enforcing agency. During 2007 the City generated \$99,966 in Building Permits and the Building Inspection department expenditures, including overhead, were \$241,423.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances, see Note 3-B) as of December 31, 2007:

Statement of Net Assets

Cash and Investments:

Primary Government	\$ 22,679,334
Component Unit	1,307,135

Statement of Fiduciary Net Assets

Pension trust funds:

Cash and cash equivalents	28,104
Investments	20,300,056

Agency Fund:

Cash and cash equivalents	1,572,371
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Total	\$ 45,887,000
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Deposits and Investments

Bank Deposits:

Checking/savings accounts	\$ 5,362,019
Certificates of Deposits	4,103,840

Investments in Securities and Mutual Funds:

Pooled Investments	3,260,033
Pension investments	20,244,871
Government Agencies	3,988,105
Commercial Paper	8,870,097
Cash on Hand	2,850
Investment in Land	55,185

Total	\$ 45,887,000
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**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits and Investments (Continued)

As of December 31, 2007 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 1 Year</u>	<u>(In Years) 1 - 5</u>
Government Agencies	\$ 3,988,105	\$ 978,029	\$ 3,010,076
Commercial Paper	<u>8,870,097</u>	<u>8,870,097</u>	<u>-</u>
Total	<u>\$ 12,858,202</u>	<u>\$ 9,848,126</u>	<u>\$ 3,010,076</u>

The city chooses to disclose its pooled investments by specifically identifying each. As of year end, the City had the following pooled investments.

	<u>Carrying Amount (Fair Value)</u>	<u>Credit Rating</u>
Mutual and cash management funds (uncategorized as to risk)	\$ 3,260,033	N/A

Interest Rate Risk. Public Act 196 of 1997 limits the allowable investments and the maturities of some of the allowable investments. 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.

Credit Risk. Public Act 196 of 1997 authorizes the City to deposit and invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, in accounts of a financial institution, commercial paper with specific maximum maturities and ratings when purchased, repurchase agreements, bankers acceptances of United States banks, obligations of the State of Michigan or any of its political subdivisions, mutual funds composed of investment vehicles that are legal and for direct investment by a public corporation and investments in government pools. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are above the allowable level for each investment. All Commercial Paper held is rated in the top rating by the agencies rating them. The Government agencies are backed by the United States Government.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits and Investments (Continued)

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 credit risk. As of year end, \$8,369,306 of the City's bank balance of \$9,069,306 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The City subscribes to a bank review company and analyzes the financial condition of the banks. The City only invests with those institutions with an acceptable estimated risk level for depositories and certificates of deposit.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of a 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 a policy for investment custodial credit risk. To minimize custodial credit risk, the City investment policy requires all brokered investments be held in safekeeping by a third party safekeeping company.

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. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

B. Deposits and Investments – Pension Trust Funds

The deposits and investments of the City's pension trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension deposits and investments are presented separately.

Deposits - The pension trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of net assets are composed entirely of short-term investments in money market accounts.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits and Investments – Pension Trust Funds (Continued)

Investments – The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

The investments of each pension trust fund are held in a bank-administered trust fund. Following is a summary of pension investments as of December 31, 2007:

	<u>Police and Fire Pension Fund</u>	<u>Police Retiree Health Care Fund</u>	<u>Total</u>
Investments at fair value, as determined by quoted market value			
Domestic Securities Mutual Funds	\$ 10,517,492	\$ -	\$ 10,517,492
Domestic Equity Mutual Funds	4,193,063	235,130	4,428,193
Foreign Equity Mutual Funds	5,272,253	26,933	5,299,186
Investment in Real Estate Partnership	<u>55,185</u>	<u>-</u>	<u>55,185</u>
 Total Investments	 <u>\$ 20,037,993</u>	 <u>\$ 262,063</u>	 <u>\$20,300,056</u>

Credit Risk. The Fire and Police Pension and Police Retiree Health Care board’s investment policy provide that safety is the foremost objective of the investment program. To achieve this objective, the board invests predominately in mutual funds. Before purchasing mutual funds the board reviews the prospectus for the fund, the rating of the money manager and the beta for the fund. The investment in the real estate partnership is not rated and the mutual funds are not subject to credit risk.

Interest Rate Risk. Public Act 314 of 1965, authorizes the pension trust fund investments in various interest bearing investments. The Fire and Police Pension and Police Retiree Health Care board has chosen to use mutual funds for this type of investment to help mitigate interest rate risk.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits and Investments – Pension Trust Funds (Continued)

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover its value of its investments or collateral securities that are in possession of an outside party. The City’s pension and retiree health investment procedure is that all securities be held in trust by a third-party institution in the name of the pension or retiree health fund. As such, although uninsured and unregistered, the City’s pension investments are not exposed to custodial risk since the securities are held by the counterparty’s trust department in the name of the pension and retiree health funds.

Concentration of Credit Risk. The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, provides that the pension and retiree health funds hold no more than 5% of its portfolio in one company and that it owns no more than 5% of the value of any company. The City’s pension and retiree health care fund’s policies require that the investments be diversified but does not specify a percentage of dollar amounts per issuer. The investment philosophy of the pension fund does require diversification in various equity categories and does specify a percentage or dollar amount.

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables as of year end for the City’s governmental and business –type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 376,649	\$ 9,753	\$ 253,881
Special Assessments	296,047	-	-
Accounts	89,755	640,801	-
Interest	168,283	-	-
Contracts Receivable	1,192,131	364,000	-
Intergovernmental	1,175,163	-	-
	<u>\$ 3,298,028</u>	<u>\$ 1,014,554</u>	<u>\$ 253,881</u>

Of the \$296,047 Special Assessments, \$257,937 is not expected to be collected in one year. Of the \$1,192,131 Contracts Receivable, \$1,125,042 is not expected to be collected in one year.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 4 – RECEIVABLES AND PAYABLES (CONTINUED)

Accounts payable and other current liabilities as of year end for the City’s governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 720,362	\$ 368,390	\$ 5,611
Contractor Retainage	72,207	80,667	-
Compensated Absences	579,291	-	-
Accrued Liabilities	189,844	101,068	-
Accrued Interest	56,844	-	15,346
Intergovernmental	-	-	9,653
	\$ 1,618,548	\$ 550,125	\$ 30,610

NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances in the fund statements is as follows:

A. Advance To/From Primary Government

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Nonmajor Governmental	Component Unit – LDFA	\$ 9,653

The Economic Development fund loaned the University Park – LDFA fund \$9,653 for a marketing grant match. Payments and interest at 3% begin October 2008.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (CONTINUED)

B. Interfund Transfers Reported in the Fund Statements

These transfers were done in the normal course of operations of the funds, usually to pay overhead charges.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 387,460
	Nonmajor Proprietary Funds	<u>113,170</u>
	Total General Fund	500,630
Major Street Fund	General Fund	26,243
	Local Street	281,280
	Nonmajor Proprietary Funds	<u>10,390</u>
	Total Major Street Fund	317,913
Local Street Fund	General Fund	30,450
	Nonmajor Proprietary Funds	<u>17,950</u>
	Total Major Street Fund	48,400
Borden Building Fund	Water Fund	76,700
Nonmajor Governmental Funds	General Fund	3,354
	Local Street Fund	300,000
	Sewer Fund	125,800
	Nonmajor Governmental Funds	<u>5,000</u>
	Total Nonmajor Governmental Funds	434,154
Sewer Fund	General Fund	57,071
Water Fund	General Fund	88,602
Nonmajor Proprietary Funds	General Fund	23,673
	Nonmajor Governmental Funds	<u>37,210</u>
	Total Nonmajor Proprietary Funds	60,883
Internal Service Funds	General Fund	<u>41,819</u>
Total		<u><u>\$1,626,172</u></u>

Notes to Financial Statements
Year Ended December 31, 2007

NOTE 6 – CAPITAL ASSETS

Capital assets of the primary government's governmental and business-type activities were as follows:

A. Governmental Activities

	Balance December 31, 2006	Additions	Disposals	Balance December 31, 2007
Capital Assets not being depreciated:				
Land	\$ 1,130,544	\$ 150,000	\$ -	\$ 1,280,544
Construction in Progress	-	2,162,909	-	2,162,909
Right of Way	4,204,900	-	-	4,204,900
Net capital assets - non-depreciable	5,335,444	2,312,909	-	7,648,353
Capital Assets being depreciated:				
Land Improvements	1,846,281	12,655	-	1,858,936
Buildings	3,889,306	-	-	3,889,306
Building Improvements	4,635,860	-	-	4,635,860
Vehicles	4,723,826	42,386	(50,411)	4,715,801
Equipment	2,424,910	134,702	(122,700)	2,436,912
Infrastructure	31,013,582	-	-	31,013,582
Subtotal	48,533,765	189,743	(173,111)	48,550,397
Accumulated depreciation:				
Land Improvements	497,407	122,277	-	619,684
Buildings	2,231,766	128,589	-	2,360,355
Building Improvements	1,214,380	231,793	-	1,446,173
Vehicles	3,087,908	80,301	(50,411)	3,117,798
Equipment	2,108,418	217,944	(122,700)	2,203,662
Infrastructure	19,838,439	811,764	-	20,650,203
Subtotal	28,978,318	1,592,668	(173,111)	30,397,875
Net capital assets - being depreciated	19,555,447	(1,402,925)	-	18,152,522
Net governmental capital assets	\$ 24,890,891	\$ 909,984	\$ -	\$ 25,800,875

Notes to Financial Statements
Year Ended December 31, 2007

NOTE 6 – CAPITAL ASSETS (CONTINUED)**B. Business-type Activities**

	Balance December 31, 2006	Additions	Disposals	Balance December 31, 2007
Capital Assets not being depreciated:				
Land	\$ 428,308	\$ -	\$ -	\$ 428,308
Capital Assets being depreciated:				
Land Improvements	1,186,685	-	-	1,186,685
Buildings	1,557,806	-	-	1,557,806
Equipment	1,869,106	21,440	-	1,890,546
Infrastructure	54,933,982	842,142	-	55,776,124
Subtotal	59,547,579	863,582	-	60,411,161
Accumulated depreciation:				
Land Improvements	412,625	76,547	-	489,172
Buildings	846,041	36,804	-	882,845
Equipment	1,399,187	79,033	-	1,478,220
Infrastructure	27,741,174	1,781,966	-	29,523,140
Subtotal	30,399,027	1,974,350	-	32,373,377
Net capital assets - being depreciated	29,148,552	(1,110,768)	-	28,037,784
Net business-type capital assets	<u>\$ 29,576,860</u>	<u>\$ (1,110,768)</u>	<u>\$ -</u>	<u>\$ 28,466,092</u>

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital assets of the component units was as follows:

C. Component Units

	Balance December 31, 2006	Additions	Disposals	Balance December 31, 2007
Capital Assets not being depreciated:				
Land	\$ 769,555	\$ -	\$ 434,647	\$ 334,908
Art	92,868	-	-	92,868
Net capital assets - non-depreciable	862,423	-	434,647	427,776
Capital Assets being depreciated:				
Land Improvements	2,460,021	-	-	2,460,021
Equipment	174,000	-	-	174,000
Infrastructure	904,003	-	-	904,003
Subtotal	3,538,024	-	-	3,538,024
Accumulated depreciation:				
Land Improvements	1,880,800	117,613	-	1,998,413
Equipment	4,350	8,700	-	13,050
Infrastructure	346,722	39,091	-	385,813
Subtotal	2,231,872	165,404	-	2,397,276
Net capital assets - being depreciated	1,306,152	(165,404)	-	1,140,748
Net component units capital assets	<u>\$ 2,168,575</u>	<u>\$ (165,404)</u>	<u>\$ (434,647)</u>	<u>\$ 1,568,524</u>

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

D. Depreciation Expense

Depreciation expense was charged to the primary government as follows:

Governmental Activities:

General Government	\$ 739,622
Public Safety	317,687
Highways, Streets & Bridges	390,433
Internal Service Fund depreciation is charged back to the various functions based on their usage of the assets	144,926
Total Governmental Activities	\$ 1,592,668

Business-type Activities:

Sewer	\$ 1,213,803
Water	626,380
Solid Waste	2,144
Airport	132,023
Total Business-type Activities	\$ 1,974,350

NOTE 7 – LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Bond obligation activity of the Primary Government can be summarized as follows:

A. Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<u>General Obligation Bonds</u>						
1999 Storm Sewer Bonds						
Amount of Issue \$210,000	4.45% -					
Maturing through 2009	5.25%	\$ 25,000	\$ 75,000	\$ (25,000)	\$ 50,000	\$ 25,000
2007 Capital Improvements Bond						
Amount of Issue \$3,685,000	4.00% -	\$125,000-				
Maturing through 2022	5.00%	\$360,000	-	3,787,326 (6,821)	3,780,505	130,000
<u>Special Assessment Bonds</u>						
1999 SA Bonds						
Amount of Issue \$110,000	4.45% -	\$ 5,000-				
Maturing through 2009	5.25%	\$ 10,000	25,000	(10,000)	15,000	10,000
<u>Building Authority Bonds</u>						
2002 Building Authority Bonds						
Amount of Issue \$3,530,000	3.7% -	\$190,000-				
Maturing through 2016	4.25%	\$315,000	<u>2,590,000</u>	<u>(210,000)</u>	<u>2,380,000</u>	<u>220,000</u>
Total bond obligations			<u>2,690,000</u>	<u>3,535,505</u>	<u>6,225,505</u>	<u>385,000</u>
<u>Other Long-term Obligations</u>						
Compensated Absences						
Vacation			407,398	382,548 (319,214)	470,732	347,000
Sick			326,201	28,938 (16,128)	339,011	78,984
Compensated Absences			<u>733,599</u>	<u>76,144</u>	<u>809,743</u>	<u>425,984</u>
Total governmental activities			3,423,599	3,611,649	7,035,248	425,984

The sick portion of compensated absences balance considered payable within one year is for the balances of employees who have formally indicated their intent to retire in 2008. The vacation portion of compensated absences balance considered payable within one year is based on an estimate based on 2007 usage. For governmental activities, compensated absences are generally liquidated by the general fund.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

B. Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Revenue Bonds						
2000 Wastewater Treatment Plant Bonds						
Amount of Issue \$6,500,000	4.8% -	\$ 230,000 -				
Maturing through 2020	4.85%	\$ 505,000	\$ 5,150,000	\$ (260,000)	\$ 4,890,000	\$ 275,000
2007 Water Refunding Bonds						
Amount of Issue \$5,195,000	4.00% -	\$ 90,000 -				
Maturing through 2022	5.00%	\$ 520,000	-	5,195,000	5,195,000	90,000
Deferred Interest on Refunding Bonds		\$ 521,979		(203,741)	(203,741)	-
1994 & 1998 Unrefunded Water Bonds						
Amount of Issue \$14,385,000	3.75% -	\$ 180,000 -	6,775,000	(5,380,000)	1,395,000	260,000
Maturing through 2024	8.00%	\$ 585,000	(271,419)	271,419	-	-
Total business-type activities			<u>11,653,581</u>	<u>(377,322)</u>	<u>11,276,259</u>	<u>625,000</u>
Total Primary Government			<u>\$ 15,077,180</u>	<u>\$ 3,234,327</u>	<u>\$ 18,311,507</u>	<u>\$ 1,088,984</u>

Bond obligation activity of the Component Units can be summarized as follows:

C. Component Units

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Revenue Bonds						
1992 CBD TIFA Bonds						
Amount of Issue \$1,275,000	4.65% -	\$65,000 -				
Maturing through 2012	7.50%	\$ 115,000	\$ 575,000	\$ (80,000)	\$ 495,000	\$ 85,000
1992 DDA TIFA Bonds						
Amount of Issue \$1,250,000	4.6% -	\$60,000 -				
Maturing through 2012	7.50%	\$ 115,000	575,000	(80,000)	495,000	85,000
Total bond obligations			<u>1,150,000</u>	<u>(160,000)</u>	<u>990,000</u>	<u>170,000</u>
Total Component Units			<u>\$ 1,150,000</u>	<u>\$ (160,000)</u>	<u>\$ 990,000</u>	<u>\$ 170,000</u>

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Debt Service Requirements

Annual debt service requirements, excluding premium, to maturity for the above obligations is as follows:

Primary Government:

Year Ended <u>December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 385,000	\$ 211,212	\$ 625,000	\$ 426,436
2009	385,000	239,531	560,000	481,575
2010	435,000	223,263	585,000	456,695
2011	460,000	205,356	610,000	430,695
2012	490,000	186,275	645,000	403,475
2013-17	2,370,000	616,412	3,660,000	1,554,110
2018-22	1,605,000	208,331	3,660,000	614,288
2023-24	-	-	1,135,000	46,100
Total	<u>\$ 6,130,000</u>	<u>\$ 1,890,380</u>	<u>\$ 11,480,000</u>	<u>\$ 4,413,374</u>

Component Units:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 170,000	\$ 57,466
2009	185,000	46,372
2010	195,000	34,376
2011	210,000	21,440
2012	<u>230,000</u>	<u>7,360</u>
Total	<u>\$ 990,000</u>	<u>\$ 167,014</u>

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. 1998 Advance Refunding and 2007 Advance Refunding

On July 1, 1998, the City issued \$5,885,000 in Water Revenue Bonds with an average interest rate of 4.77% to advance refund \$5,360,000 of 1994 Water Revenue Bonds. The maturities from 8/1/05 to 8/1/21 of the 1994 Water Revenue Bonds were refunded. These maturities had interest rates of 6.0% to 8.0%.

The new debt reported in the Statement of Net Assets is reported net of the difference between the reacquisition price and the net carrying amount of \$271,419. This amount is being amortized over the life of the bonds.

On December 13, 2007, the City issued \$5,195,000 in Water Revenue Bonds with an average interest rate of 4.33% to advance refund \$5,120,000 of the 1998 refunding Water Revenue Bonds. The maturities from 2/01/09 to 2/01/21 of the 1998 bonds were refunded and 2/1/22 of the 1994 water revenue bond was refunded. These maturities had interest rates of 4.45% to 5.0%.

The new debt reported in the Statement of Net Assets is reported net of the difference between the reacquisition price and the net carrying amount of \$201,618. This amount is being amortized over the life of the bonds. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$269,351 and resulted in an economic gain of \$201,618.

F. Conduit Debt Obligation

During 2000, the City of Mt. Pleasant issued bonds, in the amount of \$2,400,000, for Crisis Center, Inc. to obtain the necessary funding to construct 40 units of low and moderate-income housing. The bonds do not constitute a charge, lien or encumbrance, legal or equitable, upon any property within the City except the housing project constructed. The bonds clearly state that under no circumstances will the City, the County, the State or any of its taxpayers or citizens ever be required to pay any of the principal or interest on the bonds, or any costs relating to the issuance thereof from any tax revenues. The outstanding balance on the debt as of December 31, 2007 is \$2,143,925.

CITY OF MT. PLEASANT

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 8 – RESTRICTED NET ASSETS

Specific net assets have been restricted as follows:

Governmental Activities

General Fund	
Unspent Donations	\$ 441,574
Major Street	
Unspent Donations	15,399
Parks	
Unspent Donations	303,397
Community Development Block Grant Fund	
Grant Requirements	328,050
Other Nonmajor Governmental Funds	
Unspent Donations	247,000
Debt Bond Requirements	<u>388,937</u>
 Total Governmental Activities	 <u>\$ 1,724,357</u>

Business Type Activities

Sewer Fund	
Ordinance Requirements	\$ 1,342,292
Debt Service	529,493
Water Fund	
Ordinance Requirements	1,152,456
Debt Service	596,700
Nonmajor Proprietary Funds	
Future Projects	124,000
Grant Requirements	<u>318,410</u>
 Total Business-Type Activities	 <u>\$ 4,063,351</u>

Component Units

Unspent Donations	\$ 48,541
Legal Requirements	<u>166,690</u>
 Total Component Units	 <u>\$ 215,231</u>

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 9 - RISK MANAGEMENT

A. Property Liability

The City is exposed to various risks related to civil suits, property protection, errors and omissions and natural disasters. The City participates in a risk pool with other local units of government in the Michigan Municipal Risk Management Authority. This self-insurance plan provides members with loss protection for property damage, general liability, automobile damage, machinery damage and errors and omissions. The City pays an annual contribution to provide for the procurement of re-insurance, risk management, underwriting, establishment of loss reserves, and other related expenses. The City also makes contributions to its member retention fund. When a claim is incurred and or paid, the individual member retention fund is charged up to the \$199,000 self retention limits; individual claims in excess of \$100,000 are paid by the reinsurance. The City has no obligation for payment of another member's losses. The City carries Airport and Underground Storage Tank liability insurance from a commercial carrier.

There have been no reductions in insurance coverage of any type from December 31, 2007. For the past three years, settlement of insurance claims has not exceeded insurance coverage.

B. Medical Claims

The City provides group health insurance to its employees through a self-funded health plan. NGS American administers the plan under contractual agreement with the City. The plan is accounted for in the City's Self Insurance Fund. The City has stop-loss insurance coverage for all claims in excess of \$100,000 per unit. A liability for claims incurred but not yet reported (IBNR Claims) of \$227,583 has also been recorded in the Self Insurance Fund. The IBNR Claims reported consist of projected claims to be paid based on the plan's previous two years history.

	2007	2006
IBNR Claims Payable Beginning of Year	\$ 141,427	\$ 198,649
Claims Made	1,655,458	1,486,512
Claims Paid	(1,651,025)	(1,543,734)
IBNR Claims Payable End of Year	\$ 145,860	\$ 141,427

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 10 – POST-EMPLOYMENT BENEFITS

In accordance with POAM and COAM union agreements, in addition to providing pension benefits, the City provides all police and command officers who retire with Act 345 pension benefits after January 1, 2002 with paid health care benefits for the retiree only. Beginning January 1, 2003, the City established a Retiree Health Care Fund in accordance with Public Act 149 of 1999. The Retiree Health Care fund is funded by a 2% employee contribution, a transfer of excess Act 345 pension interest in accordance with Public Act 28, and an employer contribution from the City. The City plans to prefund the plan based on an actuarial valuation. The plan is reported in the Retiree Health Trust Fund.

As of December 31, 2007, three retirees were collecting the benefit and 32 employees may be eligible for the benefit upon retirement. The Actuary has determined the accrued liability for this benefit is \$378,355. The Actuary has determined that 2.31% of payroll should be contributed to fund the plan. During 2007, \$17,360 in premiums were paid. During 2007, the City contributed \$77,000 and employees contributed \$37,020 to the plan. At December 31, 2007 assets of the plan were \$290,167.

Following are the financial statements for the Retiree Health Care Trust Fund for the year ended December 31, 2007.

Statement of Plan Net Assets

ASSETS

Other Cash	\$ 28,104
Investments, at fair value:	
Mutual Funds	124,460
Money Market Funds	<u>137,603</u>
Total Net Assets	<u>290,167</u>

NET ASSETS

Held in trust for pensions and other benefits and other purposes	<u><u>\$ 290,167</u></u>
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**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 10 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Statement of Changes in Plan Net Assets

ADDITIONS

Contributions	
Employer	\$ 77,000
Employee	<u>37,020</u>
Total Contributions	114,020
Investment Income	
Net increase in fair value of investments	6,568
Interest	4,453
Dividends	<u>2,452</u>
Total Investment Income	<u>13,473</u>
Total Additions	127,493
DEDUCTIONS	
Benefit payments	17,360
Administration expense	<u>694</u>
Total Deductions	<u>18,054</u>
CHANGE IN NET ASSETS	109,439
NET ASSETS - JANUARY 1	<u>180,728</u>
NET ASSETS - DECEMBER 31	<u><u>\$ 290,167</u></u>

The Governmental Accounting Standards Board has recently release Statement Number 45, Accounting and Reporting By Employers for Postemployment 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” postemployment 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 December 31, 2008.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

The City maintains two pension plans: 1) a contributory defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), which is an agent multiple-employer public employee retirement system, and 2) a single-employer contributory defined benefit pension plan for its police and fire employees under P.A. 345 of the Michigan Public Acts of 1937, as amended.

A. Municipal Employees Retirement System of Michigan

Plan Description – The following brief description of the MERS plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The City contributes to the Municipal Employees Retirement System of Michigan (MERS), multiple-employer public employee retirement system administered by the MERS Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at MERS, 1134 Municipal Way, Lansing, MI 48917. All full-time City employees and part-time firefighters, except for the police and fire members who have their own retirement plan, are eligible to participate in the system. Employees become eligible to participate upon employment.

Funding Policy - The obligation to contribute to and maintain the system for union employees was established by negotiation with the City's bargaining units. The obligation for non-union employees was established by the Professional, Administrative, Confidential and Technical Employees (PACT) policy. These require an employee contribution of 4% of gross wages for TPOAM Union and PACT employees, and 5% for part-time firefighters.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. Municipal Employees Retirement System of Michigan (Continued)

Annual Pension Cost - For the years ended December 31, 2007 and 2006, respectively, the City's annual pension cost of \$446,631 and \$459,172 for the plan was equal to the City's required and actual contribution. The annual required contribution rate was determined as part of an actuarial valuation at December 31, 2005 and 2004 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% net investment yield, (b) projected salary increases of 5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases per year and a 4.5% inflation projection. The plan does not provide for post retirement benefit increases. The actuarial value of assets was determined on that basis that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability on an open basis over 30 years. The City's estimated annual pension cost for the year ended December 31, 2008, based on the December 31, 2006 actuarial valuation is \$460,260.

Trend Information

	Fiscal Year Ended December 31,				
	2003	2004	2005	2006	2007
Annual Pension Cost (APC)	\$ 130,625	\$ 363,710	\$ 413,917	\$ 459,172	\$ 446,631
Percentage of APC to Cover Payroll	4.0%	8.8%	10.1%	11.4%	10.9%
Percentage of APC Contributed	100%	100%	100%	100%	100%
Net Pension Obligation	-	-	-	-	-
Actuarial Value of Assets	13,023,916	13,899,879	14,806,330	15,966,193	17,028,753
Actuarial Accrued Liability	14,802,432	16,571,771	17,174,389	18,861,736	20,141,098
Unfunded (Overfunded) Actuarial Accrued Liability	1,778,516	2,671,892	2,368,059	2,895,543	3,112,345
Funded Ratio	88%	83.9%	86.2%	84.6%	84.5%
Covered Payroll	3,269,705	4,110,907	4,080,599	4,015,854	4,085,121
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	54.4%	65.0%	58.0%	72.1%	76.2%

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. City of Mt. Pleasant Fire and Police Pension System

Plan Description - The following brief description of the Fire and Police Pension System plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The City sponsors and administers a single-employer defined benefit pension plan for its police and fire employees under P.A. 345 of the Public Acts, as amended. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system's financial statements are included in the City's Financial Statements, as a pension trust fund. At December 31, 2007 membership in the System is as follows:

<u>Group</u>	<u>Membership</u>
Active Members	40
Retirees and Beneficiaries Currently Receiving Benefits	34

Funding Policy - Plan member benefits and member contributions are determined based on negotiations with the three bargaining units covering members. Fire plan members are required to contribute 5% and Police are required to contribute 4% of their annual covered payroll. Employer contributions to the plan provide for an annual contribution at an actuarially determined rate. The City levies a voted millage to cover the contribution. Administrative costs of the plan are financed through investment earnings.

The system is required to maintain reserves for employees' contributions and retired benefit payments. At December 31, 2007, these reserves equal 100% of non-retired employee contributions plus interest and 100% of the actuarial determined reserve for retiree benefit payments. Reserve balances at December 31, 2007 are:

Reserve for Employee Contribution	\$ 1,529,758
Reserve for Retiree Benefit Payment	\$ 8,761,846

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. City of Mt. Pleasant Fire and Police Pension System (Continued)

Annual Pension Cost - For the years ended December 31, 2007 and 2006, respectively, the City’s annual pension cost of \$354,066 and \$343,214 for the plan was equal to the City’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005 and 2004, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) an 8% net investment yield, (b) projected salary increases of 5% to 8% including a percentage based in an age-related scale to reflect merit, longevity and promotional salary increases per year and (c) inflation of 3%. The plan provides a “13th” check as a post-retirement benefit increase for some retirees. The actuarial value of assets was determined on a five year smoothed market basis. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability on a closed basis over 20 years. The City’s annual pension cost for the year ended December 31, 2008, based on the December 31, 2006 actuarial valuation is \$358,823 and for the year ended December 31, 2009 based on the December 31, 2007 actuarial valuation is \$290,314.

Trend Information

	2004	2005	2006	2007
Annual Pension Cost (APC)	\$ 166,024	\$ 249,376	\$ 343,214	\$ 354,066
Percentage of APC to Cover Payroll	6.4%	10%	13.3%	14.2%
Percentage of APC Contributed	100%	100%	100%	100%
Net Pension Obligation	-	-	-	-
Actuarial Value of Assets	16,837,905	16,828,869	17,650,089	19,240,015
Actuarial Accrued Liability	16,309,949	16,671,051	17,256,054	17,859,262
Unfunded (Overfunded) Actuarial Accrued Liability	(527,956)	(157,818)	(394,035)	(1,380,753)
Funded Ratio	103%	101%	102%	108%
Covered Payroll	2,578,620	2,493,426	2,577,755	2,548,849
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. City of Mt. Pleasant Fire and Police Pension System (Continued)

Basis of Accounting - The system uses the accrual basis method of accounting. Plan members contributions are recognized in the period in which the contributions are deposited in the trust. Member contributions are deposited in the trust at the end of each quarter. Employer contributions are made in July when the taxes are levied based on the actuarial report of the 2nd previous year. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments are stated at fair value in the financial statements. The actuarial value of assets is measured using a smoothing valuation. Mutual funds and securities traded on a national exchange are valued at the reported sales price on December 31, 2007. The investment in real estate is reported at cost.

Following is the financial statement for the City of Mt. Pleasant Fire & Police Pension for the year ended December 31, 2007.

Statement of Plan Net Assets

ASSETS

Investments, at fair value:	
Mutual Funds	\$ 19,673,286
Money Market Funds	309,522
Real Estate	<u>55,185</u>
Total Net Assets	20,037,993

NET ASSETS

Held in trust for pensions and other benefits and other purposes	<u>\$ 20,037,993</u>
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**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. City of Mt. Pleasant Fire and Police Pension System (Continued)

Statement of Changes in Plan Net Assets

ADDITIONS

Contributions		
Employer	\$	354,066
Employee		<u>106,903</u>
Total Contributions		460,969
Investment Income		
Net increase in fair value of investments		(226,790)
Interest		27,568
Dividends		<u>1,710,100</u>
Total Investment Income		<u>1,510,878</u>
Total Additions		1,971,847

DEDUCTIONS

Benefit payments		938,469
Administration expense		<u>18,801</u>
Total Deductions		<u>957,270</u>

CHANGE IN NET ASSETS 1,014,577

NET ASSETS - JANUARY 1 19,023,416

NET ASSETS - DECEMBER 31 \$ 20,037,993

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 12 – MORTGAGE AGREEMENT

In prior years, a partnership was loaned federal funds to construct Yorkshire Commons Subdivision. A mortgage agreement was signed whereby the partnership agrees to pay the City \$540,000. The mortgage is due 30 years from the mortgage loan closing date of May 1988. The agreement calls for interest at the rate of 7.5% per annum. Interest accrues annually and is payable to the City in each year that the partnership has positive cash flow. All interest accrued, that has not yet been paid, is due when the mortgage matures.

A loan receivable for the mortgage balance of \$540,000 and interest receivable accrued has been recorded in the Community Development Block Grant Fund - Special Revenue fund type. Corresponding Deferred Revenue has also been recorded since these receivables may not be current receivables.

The grant for which federal funds were obtained requires that the principal and interest received for the mortgage agreement must be spent for other low income housing projects.

NOTE 13 – JOINT VENTURE

The City of Mt. Pleasant is a participant in the Mid-Michigan Area Cable Consortium. The Consortium is comprised of several Mid-Michigan governmental units who are provided cable service from the same cable provider. The Consortium is organized as a non-profit organization with a 501c (3) designation from the Internal Revenue Service. On December 31, 2007 the Consortium had a cash and investment balance of \$278,170. The Consortium does not issue an annual financial report.

NOTE 14– CONTINGENCIES

A. Grants

The City receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2007.

**Notes to Financial Statements
Year Ended December 31, 2007**

NOTE 14 – CONTINGENCIES (CONTINUED)

B. Litigation

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

NOTE 15 – DESIGNATED FUND BALANCE

The following is a summary of the unreserved fund balance of the governmental funds with management’s designators.

	General	Nonmajor
Designated for:		
Fire Truck Replacement	\$ 483,887	\$ -
Fund Balance Policy	1,600,000	-
Subsequent Years' Expenditures	859,290	533,048
Total Designated	\$ 2,943,177	\$ 533,048

NOTE 16 – CONSTRUCTION COMMITMENT

The City had a construction project for the Borden Creamery Building ongoing at December 31, 2007. The project had a remaining balance of approximately \$2,350,000 at year end.

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 4,516,846	\$ 5,446,698
Resources (Inflows)		
Taxes	5,067,720	5,138,570
Licenses and Permits	361,200	370,000
Intergovernmental		
Grants	7,000	12,600
Revenue Sharing	3,039,800	2,918,500
Charges for Service and Sales	842,130	1,100,500
Fines	175,000	165,000
Interest	196,500	304,800
Miscellaneous	631,350	856,190
Transfers from Other Funds	621,560	396,560
Transfers from Component Units	44,900	44,900
	<u>15,504,006</u>	<u>16,754,318</u>
Charges to Appropriations (Outflows)		
Legislative Division	680,950	487,200
Administration & Financial Services Division	1,212,080	1,276,430
Public Safety Division	6,020,940	6,018,970
Community Services Division	2,034,280	1,749,850
Public Works Division	516,290	557,180
Transfers to Other Funds	500,630	500,630
	<u>10,965,170</u>	<u>10,590,260</u>
Fund Balance - December 31	<u>\$ 4,538,836</u>	<u>\$ 6,164,058</u>

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2007**

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 5,446,698	\$ -
5,119,665	(18,905)
368,682	(1,318)
25,126	12,526
2,948,183	29,683
1,051,831	(48,669)
181,954	16,954
350,226	45,426
852,362	(3,828)
271,212	(125,348)
55,737	10,837
16,671,676	(82,642)
471,195	16,005
1,172,800	103,630
5,854,335	164,635
1,682,920	66,930
404,100	153,080
500,630	-
10,085,980	504,280
<u>\$ 6,585,696</u>	<u>\$ 421,638</u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 648,763	\$ 647,759
Resources (Inflows)		
Intergovernmental		
Revenue Sharing	1,172,000	1,172,000
Other	38,660	38,660
Charges for Service and Sales	6,750	7,150
Interest	37,200	31,000
Miscellaneous	-	130
	<hr/>	<hr/>
Amount Available for Appropriation	1,903,373	1,896,699
Charges to Appropriations (Outflows)		
Highways, Streets and Bridges	1,246,930	941,520
Transfers to Other Funds	334,590	331,250
	<hr/>	<hr/>
Total Charges to Appropriations	1,581,520	1,272,770
	<hr/>	<hr/>
Fund Balance - December 31	<u>\$ 321,853</u>	<u>\$ 623,929</u>

**Required Supplemental Information
Budgetary Comparison Schedule - Major Street Fund
Year Ended December 31, 2007**

<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
\$ 647,759	\$ -
1,157,098	(14,902)
19,217	(19,443)
7,078	(72)
34,404	3,404
<u>131</u>	<u>1</u>
1,865,687	(31,013)
645,429	296,091
<u>317,913</u>	<u>13,337</u>
<u>963,342</u>	<u>309,428</u>
<u><u>\$ 902,345</u></u>	<u><u>\$ 278,415</u></u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 149,246	\$ 439,671
Resources (Inflows)		
Revenue Sharing	376,100	376,100
Charges for Service and Sales	80,000	80,000
Interest	11,900	23,000
Transfers In	<u>581,280</u>	<u>581,280</u>
Amount Available for Appropriation	1,198,526	1,500,051
Charges to Appropriations		
Highways, Streets and Bridges	985,340	912,450
Transfers Out	<u>50,640</u>	<u>48,660</u>
Total Appropriations	<u>1,035,980</u>	<u>961,110</u>
Fund Balance - December 31	<u><u>\$ 162,546</u></u>	<u><u>\$ 538,941</u></u>

**Other Financial and Supplemental Information
Budgetary Comparison Schedule - Local Street Fund
Year Ended December 31, 2007**

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 439,671	\$ -
373,375	(2,725)
72,600	(7,400)
23,000	-
<u>581,280</u>	<u>-</u>
1,489,926	(10,125)
823,429	89,021
<u>48,400</u>	<u>260</u>
<u>871,829</u>	<u>89,281</u>
<u><u>\$ 618,097</u></u>	<u><u>\$ 79,156</u></u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 499,033	\$ 473,163
Resources (Inflows)		
Charges for Service and Sales	42,050	244,000
Interest	<u>40,500</u>	<u>3,500</u>
Amount Available for Appropriation	581,583	720,663
Charges to Appropriations (Outflows)		
Community Development	<u>100,000</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 481,583</u></u>	<u><u>\$ 720,663</u></u>

**Required Supplemental Information
 Budgetary Comparison Schedule -
 Community Development Block Grant Fund
 Year Ended December 31, 2007**

<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
\$ 473,163	\$ -
42,074	(201,926)
<u>3,985</u>	<u>485</u>
519,222	(201,441)
<u>-</u>	<u>-</u>
<u><u>\$ 519,222</u></u>	<u><u>\$ (201,441)</u></u>

CITY OF MT. PLEASANT

<u>Actuarial Valuation Date</u>		<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability (UAL)</u>
12/31/1997		\$12,296,505	\$11,989,742	\$ (306,763)
12/31/1998	*	13,955,009	11,518,215	(2,436,794)
12/31/1999	*	16,005,900	12,356,510	(3,649,390)
12/31/2000	*	17,255,129	13,525,725	(3,729,404)
12/31/2001	*	17,919,175	13,979,211	(3,939,964)
12/31/2002	*	17,532,361	14,729,261	(2,803,100)
12/31/2003	*	17,225,631	15,518,689	(1,706,942)
12/31/2004		16,837,905	16,309,949	(527,596)
12/31/2005		16,828,869	16,671,051	(157,818)
12/31/2006		17,650,089	17,256,054	(394,035)
12/31/2007		19,240,015	17,859,262	(1,380,753)

*After changes in benefit provisions and/or actuarial assumptions and actuarial cost methods.

**Required Supplementary Information
Fire and Police Pension Plan -
Schedule of Funding Progress**

<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
103%	\$ 1,801,993	-17%
121%	1,813,321	-134%
130%	1,949,819	-187%
128%	2,156,881	-173%
128%	2,278,324	-173%
119%	2,430,802	-115%
111%	2,437,692	-70%
103%	2,578,620	-20%
101%	2,493,426	-6%
102%	2,577,755	-15%
108%	2,548,849	-54%

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1997	\$ 322,614	100%
1998	341,572	100%
1999	362,020	100%
2000	174,079	100%
2001	132,003	100%
2002	92,315	100%
2003	96,145	100%
2004	166,024	100%
2005	249,376	100%
2006	343,214	100%
2007	354,066	100%

**Required Supplementary Information
Fire and Police Pension Plan -
Notes to the Required Schedules**

BUDGETARY COMPARISON SCHEDULE

The budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget is adopted with legal budgetary control at the fund level (i.e. expenditures may not exceed budgeted appropriations at the fund level), except the General Fund, which is adopted at the division level. Budgets are adopted in accordance Public ACT 493. In accordance with this Act, budgets are adopted on an annual basis for General and Special Revenue funds. Informational summaries are adopted for Capital Projects, Debt Service, Proprietary Funds and Component Units as a management control device. The Building Authority is a blended component unit with the Special Revenue funds, therefore no budget comparison is required for this fund.

FIRE AND POLICE PENSION PLAN

The required contribution for the fiscal year was determined using the individual entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 5.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00% to 3% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement except for the operation of the 13th check. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on a closed basis. The amortization period on December 31, 2007 was 20 years.

CITY OF MT. PLEASANT

	Nonmajor Special Revenue Funds	
	Parks & Recreation	Downtown Parking & Improvement
ASSETS		
Common Cash and Investments	\$ 591,731	\$ 88,918
Other Cash	1,167	-
Taxes Receivable	-	39,982
Special Assessments		
Current	-	-
Deferred	-	-
Accounts Receivable	-	-
Contracts Receivable	-	-
Accrued Interest Receivable	-	-
Due From Other Governmental Units	-	-
Long Term Advance to Component Unit	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 592,898</u>	<u>\$ 128,900</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 13,596	\$ 14,063
Contractor Retainage Payable	-	-
Deferred Revenue	-	-
	<u> </u>	<u> </u>
Total Liabilities	13,596	14,063
FUND BALANCE		
Reserved for Future Expenditures/Debt Service	333,193	758
Unreserved		
Designated for Specific Programs	168,478	41,570
Undesignated	77,631	72,509
	<u> </u>	<u> </u>
Total Fund Balance	<u>579,302</u>	<u>114,837</u>
	<u>\$ 592,898</u>	<u>\$ 128,900</u>

Other Financial and Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007
(Continued)

Nonmajor Special Revenue Funds			
Economic Development	Storm Drain Improvement	Cemetery Perptual Care	Building Authority
\$ 269,999	\$ 169,649	\$ 123,320	\$ 23,521
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
147,987	-	-	-
-	-	-	-
-	-	-	-
9,653	-	-	-
<u>\$ 427,639</u>	<u>\$ 169,649</u>	<u>\$ 123,320</u>	<u>\$ 23,521</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
147,987	-	-	-
147,987	-	-	-
9,653	-	-	-
-	-	-	-
269,999	169,649	123,320	23,521
279,652	169,649	123,320	23,521
<u>\$ 427,639</u>	<u>\$ 169,649</u>	<u>\$ 123,320</u>	<u>\$ 23,521</u>

CITY OF MT. PLEASANT

	Nonmajor Debt Service Fund	
	Borden Building Debt	Special Assessment Bond Debt
ASSETS		
Common Cash and Investments	\$ 112,000	\$ 3,825
Other Cash	-	227,116
Taxes Receivable	10,177	3,335
Special Assessments		
Current	-	38,109
Deferred	-	257,938
Accounts Receivable	-	-
Contracts Receivable	-	-
Accrued Interest Receivable	-	-
Due From Other Governmental Units	-	-
Long Term Advance to Component Unit	-	-
	<u>\$ 122,177</u>	<u>\$ 530,323</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ -	\$ 5,625
Contractor Retainage Payable	-	-
Deferred Revenue	-	257,938
	-	<u>263,563</u>
Total Liabilities	-	263,563
FUND BALANCE		
Reserved for Future Expenditures/Debt Service	122,177	266,760
Unreserved		
Designated for Specific Programs	-	-
Undesignated	-	-
	<u>122,177</u>	<u>266,760</u>
Total Fund Balance	122,177	266,760
	<u>\$ 122,177</u>	<u>\$ 530,323</u>
Total Liabilities and Fund Balance	<u>\$ 122,177</u>	<u>\$ 530,323</u>

CITY OF MT. PLEASANT

	Nonmajor Special Revenue Funds	
	Parks & Recreation	Downtown Parking & Improvement
REVENUE		
Taxes	\$ -	\$ -
Special Assessments	-	84,982
Grants	-	-
Charges for Service and Sales	387,840	4,650
Fines	-	35,808
Interest	7,051	5,245
Miscellaneous	356,173	3,000
	<hr/>	<hr/>
Total Revenue	751,064	133,685
EXPENDITURES		
Current Operations		
General Government	728,915	165,183
Public Works	-	47,105
Community Development	-	-
Debt Service		
Principal	-	-
Interest	-	-
Other	-	-
	<hr/>	<hr/>
Total Expenditures	728,915	212,288
	<hr/>	<hr/>
Excess of Revenue Over (Under) Expenditures	22,149	(78,603)

**Other Financial and Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2007
(Continued)**

Nonmajor Special Revenue Funds			
Economic Development	Storm Drain Improvement	Cemetery Perpetual Care	Building Authority
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
34,392	-	850	-
-	-	-	-
15,146	10,463	6,401	2,059
-	9,687	-	-
49,538	20,150	7,251	2,059
-	-	-	17,119
-	26,796	-	-
102,500	-	-	-
-	25,000	-	210,000
-	3,900	-	103,900
-	300	-	250
102,500	55,996	-	331,269
(52,962)	(35,846)	7,251	(329,210)

CITY OF MT. PLEASANT

	Nonmajor Special Revenue Funds	
	Parks & Recreation	Downtown Parking & Improvement
OTHER FINANCING SOURCES USES		
Transfers In	\$ 23,160	\$ 55,400
Transfers Out	<u>(1,300)</u>	<u>(2,054)</u>
Total Other Financing Sources (Uses)	<u>21,860</u>	<u>53,346</u>
Net Change in Fund Balances	44,009	(25,257)
Fund Balance - January 1	<u>535,293</u>	<u>140,094</u>
Fund Balance - December 31	<u><u>\$ 579,302</u></u>	<u><u>\$ 114,837</u></u>

**Other Financial and Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2007
(Continued)**

Nonmajor Special Revenue Funds			
Economic Development	Storm Drain Improvement	Cemetery Perpetual Care	Building Authority
\$ -	\$ -	\$ -	\$ 313,900
-	-	-	-
-	-	-	313,900
(52,962)	(35,846)	7,251	(15,310)
332,614	205,495	116,069	38,831
\$ 279,652	\$ 169,649	\$ 123,320	\$ 23,521

CITY OF MT. PLEASANT

	Nonmajor Debt Service Funds	
	Bader Building Debt	Special Assessment Bond
REVENUE		
Taxes	\$ 122,177	\$ -
Special Assessments	-	31,141
Grants	-	-
Charges for Service and Sales	-	-
Fines	-	-
Interest	-	15,862
Miscellaneous	-	-
Total Revenue	122,177	47,003
EXPENDITURES		
Current Operations		
General Government	-	-
Public Works	-	-
Community Development	-	-
Debt Service		
Principal	-	10,000
Interest	-	1,298
Other	-	300
Total Expenditures	-	11,598
Excess of Revenue Over (Under) Expenditures	122,177	35,405

**Other Financial and Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2007
(Continued)**

Nonmajor Capital Projects Fund	
<u>General Projects</u>	<u>Total Nonmajor Governmental</u>
\$ 753,549	\$ 875,726
-	116,123
-	-
-	427,732
-	35,808
27,349	89,576
-	368,860
<hr/>	<hr/>
780,898	1,913,825
-	911,217
-	73,901
-	102,500
-	245,000
-	109,098
-	850
<hr/>	<hr/>
-	1,442,566
<hr/>	<hr/>
780,898	471,259

CITY OF MT. PLEASANT

	Nonmajor Debt Service Funds	
	Borden Building Debt	Special Assessment Bond
OTHER FINANCING SOURCES USES		
Transfers In	\$ -	\$ -
Transfers Out	-	(52,800)
Issuance of Debt	-	-
Total Other Financing Sources (Uses)	-	(52,800)
Net Change in Fund Balances	122,177	(17,395)
Fund Balance - January 1	-	284,155
Fund Balance - December 31	<u>\$ 122,177</u>	<u>\$ 266,760</u>

**Other Financial and Supplemental Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2007
(Continued)**

Nonmajor Capital Projects Fund	Total Nonmajor Governmental
General Projects	
\$ 37,210	\$ 429,670
(378,000)	(434,154)
-	-
<u>(340,790)</u>	<u>(4,484)</u>
440,108	466,775
<u>203,208</u>	<u>1,855,759</u>
<u><u>\$ 643,316</u></u>	<u><u>\$ 2,322,534</u></u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 424,012	\$ 535,293
Resources (Inflows)		
Grants	-	14,540
Charges for Service and Sales	309,770	384,418
Interest	-	-
Miscellaneous	204,000	358,270
Transfers In	<u>23,160</u>	<u>23,160</u>
Amount Available for Appropriation	960,942	1,315,681
Charges to Appropriations		
General Government	661,240	741,738
Transfers Out	<u>-</u>	<u>1,300</u>
Total Appropriations	<u>661,240</u>	<u>743,038</u>
Fund Balance - December 31	<u>\$ 299,702</u>	<u>\$ 572,643</u>

**Other Financial and Supplemental Information
Budgetary Comparison Schedule - Parks & Recreation Fund
Year Ended December 31, 2007**

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 535,293	\$ -
-	(14,540)
387,840	3,422
7,051	7,051
356,173	(2,097)
23,160	-
1,309,517	(6,164)
728,915	12,823
1,300	-
730,215	12,823
<u>\$ 579,302</u>	<u>\$ 6,659</u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 115,315	\$ 140,094
Resources (Inflows)		
Special Assessments	84,000	85,000
Charges for Service and Sales	1,500	4,000
Fines	40,000	40,000
Interest	300	5,000
Miscellaneous	-	2,290
Transfers In	<u>55,400</u>	<u>55,400</u>
Amount Available for Appropriation	296,515	331,784
Charges to Appropriations		
General Government	120,230	161,680
Public Works	50,550	50,550
Transfers Out	<u>2,260</u>	<u>2,260</u>
Total Appropriations	<u>173,040</u>	<u>214,490</u>
Fund Balance - December 31	<u>\$ 123,475</u>	<u>\$ 117,294</u>

Other Financial and Supplemental Information
Budgetary Comparison Schedule - Downtown Parking & Improvement
Year Ended December 31, 2007

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 140,094	\$ -
84,982	(18)
4,650	650
35,808	(4,192)
5,245	245
3,000	710
55,400	-
329,179	(2,605)
165,183	(3,503)
47,105	3,445
2,054	206
214,342	148
<u>\$ 114,837</u>	<u>\$ (2,457)</u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 338,024	\$ 332,614
Resources (Inflows)		
Charges for Service and Sales	22,860	33,810
Interest	<u>12,000</u>	<u>13,500</u>
Amount Available for Appropriation	372,884	379,924
Charges to Appropriations		
Community Development	<u>-</u>	<u>115,000</u>
Fund Balance - December 31	<u><u>\$ 372,884</u></u>	<u><u>\$ 264,924</u></u>

**Other Financial and Supplemental Information
 Budgetary Comparison Schedule - Economic Development Fund
 Year Ended December 31, 2007**

<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
\$ 332,614	\$ -
34,392	582
<u>15,146</u>	<u>1,646</u>
382,152	2,228
<u>102,500</u>	<u>12,500</u>
<u><u>\$ 279,652</u></u>	<u><u>\$ 14,728</u></u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 181,073	\$ 205,495
Resources (Inflows)		
Interest	9,000	9,000
Miscellaneous	-	9,690
	<u>190,073</u>	<u>224,185</u>
Amount Available for Appropriation	190,073	224,185
Charges to Appropriations		
Public Works	7,000	26,000
Debt Service		
Principal	25,000	25,000
Interest	3,900	3,900
Other	300	300
	<u>36,200</u>	<u>55,200</u>
Amount Available for Appropriation	36,200	55,200
Fund Balance - December 31	<u><u>\$ 153,873</u></u>	<u><u>\$ 168,985</u></u>

**Other Financial and Supplemental Information
 Budgetary Comparison Schedule - Storm Drain Improvement Fund
 Year Ended December 31, 2007**

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 205,495	\$ -
10,463	1,463
9,687	(3)
225,645	1,460
26,796	(796)
25,000	-
3,900	-
300	-
55,996	(796)
<u>\$ 169,649</u>	<u>\$ 664</u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 113,114	\$ 116,069
Resources (Inflows)		
Charges for Services and Sales	4,000	4,000
Interest	<u>3,500</u>	<u>3,500</u>
Amount Available for Appropriation	<u>120,614</u>	<u>123,569</u>
Fund Balance - December 31	<u><u>\$ 120,614</u></u>	<u><u>\$ 123,569</u></u>

**Other Financial and Supplemental Information
 Budgetary Comparison Schedule - Cemetery Perpetual Care Fund
 Year Ended December 31, 2007**

<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
\$ 116,069	\$ -
850	(3,150)
<u>6,401</u>	<u>2,901</u>
<u>123,320</u>	<u>(249)</u>
<u><u>\$ 123,320</u></u>	<u><u>\$ (249)</u></u>

CITY OF MT. PLEASANT

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Fund Balance - January 1	\$ 13,697	\$ 38,831
Resources (Inflows)		
Interest	-	-
Transfers In	<u>314,150</u>	<u>314,150</u>
Amount Available for Appropriation	327,847	352,981
Charges to Appropriations		
General Government	-	20,000
Debt Service	<u>314,150</u>	<u>314,150</u>
Total Appropriations	<u>314,150</u>	<u>334,150</u>
Fund Balance - December 31	<u><u>\$ 13,697</u></u>	<u><u>\$ 18,831</u></u>

**Other Financial and Supplemental Information
 Budgetary Comparison Schedule - Building Authority Fund
 Year Ended December 31, 2007**

Actual Amounts	Variance With Final Budget Positive (Negative)
\$ 38,831	\$ -
2,059	2,059
<u>313,900</u>	<u>(250)</u>
354,790	1,809
17,119	2,881
<u>314,150</u>	<u>-</u>
<u>331,269</u>	<u>2,881</u>
<u><u>\$ 23,521</u></u>	<u><u>\$ 4,690</u></u>

CITY OF MT. PLEASANT

	Enterprise Funds	
	Solid Waste	Project 2000
ASSETS		
Current Assets		
Common Cash and Investments	\$ 515,113	\$ 534,541
Restricted Common Cash and Investments	318,410	-
Other Cash	-	-
Taxes Receivable	9,753	-
Accounts Receivable	41,598	-
Prepaid Expense	-	-
Inventory	32,640	-
Total Current Assets	917,514	534,541
Noncurrent Assets		
Contracts Receivable	-	364,000
Development Costs	-	686,562
Capital Assets	66,490	-
Less: Accumulated Depreciation	(47,194)	-
Total Noncurrent Assets	19,296	1,050,562
Total Assets	936,810	1,585,103

Other Financial and Supplemental Information
Combining Statement of Net Assets
Nonmajor Proprietary Funds
December 31, 2007
(Continued)

Enterprise Funds	
Airport	Total Nonmajor Funds
\$ 216,911	\$ 1,266,565
-	318,410
100	100
-	9,753
14,155	55,753
1,747	1,747
28,970	61,610
261,883	1,713,938
-	364,000
-	686,562
3,137,685	3,204,175
(1,526,345)	(1,573,539)
1,611,340	2,681,198
1,873,223	4,395,136

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Solid Waste</u>	<u>Project 2000</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 91,512	\$ -
Unearned Revenue	-	-
	<hr/>	<hr/>
Total Current Liabilities	91,512	-
NET ASSETS		
Invested in Capital Assets	19,296	-
Restricted for:		
Future Projects	-	-
Replacement	318,410	-
Unrestricted	507,592	1,585,103
	<hr/>	<hr/>
Total Net Assets	<u>\$ 845,298</u>	<u>\$ 1,585,103</u>

Other Financial and Supplemental Information
Combining Statement of Net Assets
Nonmajor Proprietary Funds
December 31, 2007
(Continued)

Enterprise Funds	
Airport	Total Nonmajor Funds
\$ 10,258	\$ 101,770
13,475	13,475
23,733	115,245
1,611,340	1,630,636
124,000	124,000
-	318,410
114,150	2,206,845
<u>\$ 1,849,490</u>	<u>\$ 4,279,891</u>

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>	
	<u>Solid Waste Management</u>	<u>Project 2000</u>
OPERATING REVENUE		
Charges for Service and Sales	\$ 315,564	\$ 625,970
OPERATING EXPENSES		
Compensation	63,331	5,174
Supplies	14,861	334
Professional Services	376,727	27,131
Utilities	-	-
Cost of Development Property Sold	-	236,781
Depreciation	2,144	-
Total Operating Expenses	<u>457,063</u>	<u>269,420</u>
Operating Income (Loss)	(141,499)	356,550
NON-OPERATING REVENUE (EXPENSES)		
Property Taxes	185,753	-
Federal/State Grants	-	-
Interest Income	42,362	-
Total Non-Operating Revenue (Expenses)	<u>228,115</u>	<u>-</u>
Income (Loss) Before Transfers	86,616	356,550
Transfers In	66,340	-
Transfers Out	<u>(23,673)</u>	<u>-</u>
Change in Net Assets	129,283	356,550
Net Assets - January 1 (Restated)	<u>716,015</u>	<u>1,228,553</u>
Net Assets - December 31	<u>\$ 845,298</u>	<u>\$ 1,585,103</u>

**Other Financial and Supplemental Information
Combining Statement of Revenue,
Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds
Year Ended December 31, 2007**

Enterprise Funds	
Airport	Total Nonmajor Funds
\$ 311,085	\$ 1,252,619
25,336	93,841
188,275	203,470
84,314	488,172
27,872	27,872
-	236,781
132,023	134,167
457,820	1,184,303
(146,735)	68,316
-	185,753
14,164	14,164
-	42,362
14,164	242,279
(132,571)	310,595
75,170	141,510
(37,210)	(60,883)
(94,611)	391,222
1,944,101	3,888,669
<u>\$ 1,849,490</u>	<u>\$ 4,279,891</u>

CITY OF MT. PLEASANT

	Enterprise Funds
	<u>Solid Waste Management</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 282,683
Payments to Employees	(63,331)
Payments to Suppliers and Contractors	(411,027)
Other (Payments)	<u>-</u>
Net Cash Provided (Used) by Operating Activities	(191,675)
Cash Flows from Non-Capital Financing Activities	
Property Taxes	184,190
Operating Subsidies	66,340
Transfers to Other Funds	<u>(23,673)</u>
Net Cash Provided (Used) by Non-Capital Financial Activities	226,857
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(21,440)
Sale of Capital Assets	-
Federal/State Grants	-
Donations	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,440)
Cash Flow from Investing Activities	
Sale of Development Properties	-
Interest Income	<u>42,362</u>
Net Cash Provided (Used) by Investing Activities	42,362
Net Increase (Decrease) in Cash and Cash Equivalents	56,104
Cash and Cash Equivalents - January 1	<u>777,419</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 833,523</u></u>

Other Financial and Supplemental Information
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2007
(Continued)

Project 2000	Enterprise Funds Airport	Total Nonmajor Funds
\$ 481,971	\$ 489,812	\$ 1,254,466
(5,174)	(25,336)	(93,841)
(79,190)	(299,574)	(789,791)
(236,781)	-	(236,781)
160,826	164,902	134,053
-	-	184,190
-	75,055	141,395
-	(37,210)	(60,883)
-	37,845	264,702
-	-	(21,440)
-	-	-
-	14,164	14,164
-	-	-
-	14,164	(7,276)
236,650	-	236,650
-	-	42,362
236,650	-	279,012
397,476	216,911	670,491
137,065	100	914,584
<u>\$ 534,541</u>	<u>\$ 217,011</u>	<u>\$ 1,585,075</u>

CITY OF MT. PLEASANT

	<u>Enterprise Funds</u>
	<u>Solid Waste Management</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (141,499)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations	
Depreciation	2,144
Changes in Assets and Liabilities	
Accounts Receivable	(6,151)
Due From Other Governmental Units	-
Prepaid Expense	-
Inventory	(26,730)
Accounts Payable	(19,439)
Contractor Retainage Payable	-
Deferred Revenue	-
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (191,675)</u></u>

**Other Financial and Supplemental Information
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2007
(Continued)**

Project 2000	Enterprise Funds Airport	Total Nonmajor Funds
\$ 356,550	\$ (146,735)	\$ 68,316
-	132,023	134,167
(143,999)	(1,159)	(151,309)
-	180,356	180,356
-	(36)	(36)
-	(2,760)	(29,490)
-	3,683	(15,756)
(51,725)	-	(51,725)
-	(470)	(470)
\$ 160,826	\$ 164,902	\$ 134,053

CITY OF MT. PLEASANT

	<u>Internal Service Funds</u>	
	<u>Central Stores</u>	<u>Motor Pool</u>
ASSETS		
Current Assets		
Common Cash and Investments	\$ 51,828	\$ 1,210,516
Restricted Common Cash and Investments	-	134,430
Other Cash	-	-
Other Investments	-	-
Accounts Receivable	606	-
Accrued Interest Receivable	-	-
Prepaid Expense	-	4,897
Inventory	104,224	-
	<hr/>	<hr/>
Total Current Assets	156,658	1,349,843
Noncurrent Assets		
Capital Assets	-	3,561,908
Less: Accumulated Depreciation	-	(2,692,189)
	<hr/>	<hr/>
Total Noncurrent Assets	-	869,719
	<hr/>	<hr/>
Total Assets	156,658	2,219,562

**Other Financial and Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
December 31, 2007
(Continued)**

<u>Internal Service Funds</u>	
<u>Self Insurance</u>	<u>Total Internal Service Funds</u>
\$ 43,300	\$ 1,305,644
-	134,430
492,862	492,862
1,591,119	1,591,119
9,236	9,842
11,313	11,313
-	4,897
-	104,224
<u>2,147,830</u>	<u>3,654,331</u>
-	3,561,908
-	<u>(2,692,189)</u>
<u>-</u>	<u>869,719</u>
2,147,830	4,524,050

CITY OF MT. PLEASANT

	<u>Internal Service Funds</u>	
	<u>Central Stores</u>	<u>Motor Pool</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 3,987	\$ 87,129
Accrued Expenses	-	-
	<hr/>	<hr/>
Total Current Liabilities	3,987	87,129
 NET ASSETS		
Investment in Capital Assets	-	869,719
Restricted for:		
Replacement	-	134,430
Unrestricted	152,671	1,128,284
	<hr/>	<hr/>
Total Net Assets	<u>\$ 152,671</u>	<u>\$ 2,132,433</u>

**Other Financial and Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
December 31, 2007
(Continued)**

Internal Service Funds	
Self Insurance	Total Internal Service Funds
\$ 12,225	\$ 103,341
264,393	264,393
276,618	367,734
-	869,719
-	134,430
1,871,212	3,152,167
\$ 1,871,212	\$ 4,156,316

CITY OF MT. PLEASANT

	<u>Internal Service Funds</u>	
	<u>Central Stores</u>	<u>Motor Pool</u>
OPERATING REVENUE		
Charges for Service and Sales	\$ 83,674	\$ 657,554
OPERATING EXPENSES		
Compensation	3,049	175,104
Supplies	35,183	187,281
Professional Services	405	34,963
Training	-	2,728
Utilities	172	27,523
Insurance Claims	-	-
Other Expenditures	125	28,168
Depreciation	-	144,926
Total Operating Expenses	<u>38,934</u>	<u>600,693</u>
Operating Income	44,740	56,861
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	-	-
Proceeds from Sale of Capital Investment	-	45,955
Total Non-Operating Revenue (Expenses)	<u>-</u>	<u>45,955</u>
Income (Loss) Before Transfers	44,740	102,816
Transfers Out	<u>(1,833)</u>	<u>(39,986)</u>
Change in Net Assets	42,907	62,830
Net Assets - January 1	<u>109,764</u>	<u>2,069,603</u>
Net Assets - December 31	<u>\$ 152,671</u>	<u>\$ 2,132,433</u>

**Other Financial and Supplemental Information
Combining Statement of Revenue,
Expenses, and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2007**

<u>Internal Service Funds</u>	
<u>Self Insurance</u>	<u>Total Internal Service Funds</u>
\$ 2,106,766	\$ 2,847,994
-	178,153
-	222,464
307,775	343,143
-	2,728
-	27,695
1,726,188	1,726,188
-	28,293
-	144,926
<u>2,033,963</u>	<u>2,673,590</u>
72,803	174,404
98,586	98,586
-	45,955
<u>98,586</u>	<u>144,541</u>
171,389	318,945
-	(41,819)
171,389	277,126
<u>1,699,823</u>	<u>3,879,190</u>
<u>\$ 1,871,212</u>	<u>\$ 4,156,316</u>

CITY OF MT. PLEASANT

	Internal Service Funds
	Central Stores
Cash Flows from Operating Activities	
Receipts from Customers	\$ 83,287
Payments to Employees	(3,049)
Payments to Suppliers and Contractors	(40,821)
Claims Paid	-
Other (Payments)	(125)
Net Cash Provided (Used) by Operating Activities	39,292
Cash Flows from Non-Capital Financing Activities	
Transfers to Other Funds	(1,833)
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Asset	-
Proceeds from Sale of Capital Asset	-
Net Cash (Used) by Capital and Related Financing Activities	-
Cash Flow from Investing Activities	
Purchase of Investments	-
Interest Income	-
Net Cash (Used) by Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	37,459
Cash and Cash Equivalents - January 1	14,369
Cash and Cash Equivalents - December 31	\$ 51,828

**Other Financial and Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2007
(Continued)**

Internal Service Funds		
Motor Pool	Self Insurance	Total Internal Service Funds
\$ 659,839	\$ 2,101,832	\$ 2,844,958
(175,104)	-	(178,153)
(175,658)	(307,775)	(524,254)
-	(1,656,207)	(1,656,207)
(28,168)	-	(28,293)
280,909	137,850	458,051
(39,986)	-	(41,819)
(107,954)	-	(107,954)
45,955	-	45,955
(61,999)	-	(61,999)
-	(552,831)	(552,831)
-	97,919	97,919
-	(454,912)	(454,912)
178,924	(317,062)	(100,679)
1,166,022	853,224	2,033,615
<u>\$ 1,344,946</u>	<u>\$ 536,162</u>	<u>\$ 1,932,936</u>

CITY OF MT. PLEASANT

	Internal Service Funds
	Central Stores
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 44,740
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations	
Depreciation	-
Changes in Assets and Liabilities	
Accounts Receivable	(387)
Prepaid Expense	-
Inventory	(9,037)
Accounts Payable	3,976
Accrued Expenses	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 39,292</u>

**Other Financial and Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2007
(Continued)**

Internal Service Funds		
Motor Pool	Self Insurance	Total Internal Service Funds
\$ 56,861	\$ 72,803	\$ 174,404
144,926	-	144,926
2,285	(4,934)	(3,036)
(244)	-	(244)
-	-	(9,037)
77,081	12,000	93,057
-	57,981	57,981
\$ 280,909	\$ 137,850	\$ 458,051

CITY OF MT. PLEASANT

**Other Financial and Supplemental Information
Combining Statement of Net Assets
Trust Funds
December 31, 2007**

	Pension Benefits	Retiree Health Benefits	Total Trust Funds
ASSETS			
Common Cash	\$ -	\$ -	\$ -
Other Cash	-	28,104	28,104
Investments, at fair value:			
Mutual Funds	19,673,286	124,460	19,797,746
Money Market Funds	309,522	137,603	447,125
Real Estate	55,185	-	55,185
Taxes Receivable	-	-	-
Total Assets	20,037,993	290,167	20,328,160
LIABILITIES			
Taxes Payable	-	-	-
Withholding Payable	-	-	-
Total Liabilities	-	-	-
NET ASSETS			
Held in trust for pensions and other benefits and other purposes	\$ 20,037,993	\$ 290,167	\$ 20,328,160

CITY OF MT. PLEASANT

**Other Financial and Supplemental Information
Combining Statement of Changes in Net Assets
Trust Funds
December 31, 2007**

	Pension Benefits	Retiree Health Benefits	Total Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 354,066	\$ 77,000	\$ 431,066
Employee	106,903	37,020	143,923
Total Contributions	460,969	114,020	574,989
Investment Income			
Net (decrease) in fair value of investments	(226,790)	6,568	(220,222)
Interest	27,568	4,453	32,021
Dividends	1,710,100	2,452	1,712,552
Total Investment Income	1,510,878	13,473	1,524,351
Total Additions	1,971,847	127,493	2,099,340
DEDUCTIONS			
Benefit payments	938,469	17,360	955,829
Administration expense	18,801	694	19,495
Total Deductions	957,270	18,054	975,324
CHANGE IN NET ASSETS	1,014,577	109,439	1,124,016
NET ASSETS - JANUARY 1	19,023,416	180,728	19,204,144
NET ASSETS - DECEMBER 31	\$ 20,037,993	\$ 290,167	\$ 20,328,160

CITY OF MT. PLEASANT

	Balance January 1, 2007	Additions
	<u> </u>	<u> </u>
TAX COLLECTION		
ASSETS		
Common Cash and Investments	\$ 221,693	\$ 91,862
Other Cash	824,225	23,443,372
Taxes Receivable	<u>3,829,998</u>	<u>22,419,178</u>
 Total Assets	 <u>\$ 4,875,916</u>	 <u>\$ 45,954,412</u>
 LIABILITIES		
Taxes Payable	<u>\$ 4,875,916</u>	<u>\$ 22,779,587</u>
 IMPREST PAYROLL		
ASSETS		
Other Cash	<u>\$ 101,051</u>	<u>\$ 15,964,459</u>
 LIABILITIES		
Withholding Payable	<u>\$ 101,051</u>	<u>\$ 2,906,758</u>
 TOTAL - ALL AGENCY FUNDS		
ASSETS		
Common Cash and Investments	\$ 221,693	\$ 91,862
Other Cash	925,276	39,407,831
Taxes Receivable	<u>3,829,998</u>	<u>22,419,178</u>
 Total Assets	 <u>\$ 4,976,967</u>	 <u>\$ 61,918,871</u>
 LIABILITIES		
Taxes Payable	\$ 4,875,916	\$ 22,779,587
Withholding Payable	<u>101,051</u>	<u>2,906,758</u>
 Total Liabilities	 <u>\$ 4,976,967</u>	 <u>\$ 25,686,345</u>

Other Financial and Supplemental Information
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2007

<u>Deductions</u>	<u>Balance December 31, 2007</u>
\$ 259,335	\$ 54,220
22,837,686	1,429,911
<u>23,395,699</u>	<u>2,853,477</u>
<u>\$ 46,492,720</u>	<u>\$ 4,337,608</u>
<u>\$ 23,317,895</u>	<u>\$ 4,337,608</u>
<u>\$ 15,977,269</u>	<u>\$ 88,241</u>
<u>\$ 2,919,568</u>	<u>\$ 88,241</u>
\$ 259,335	\$ 54,220
38,814,955	1,518,152
<u>23,395,699</u>	<u>2,853,477</u>
<u>\$ 62,469,989</u>	<u>\$ 4,425,849</u>
\$ 23,317,895	\$ 4,337,608
<u>2,919,568</u>	<u>88,241</u>
<u>\$ 26,237,463</u>	<u>\$ 4,425,849</u>

CITY OF MT. PLEASANT

Index to Statistical Section Year Ended December 31, 2007

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

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CITY OF MT. PLEASANT

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
Governmental activities		
Invested in capital assets, net of related Debt	\$ 23,229,432	\$ 22,979,430
Restricted	2,208,710	1,841,349
Unrestricted	<u>9,727,145</u>	<u>9,621,897</u>
Total governmental activities net assets	35,165,287	34,442,676
Business-type activities		
Invested in capital assets, net of related Debt	8,782,978	18,316,187
Restricted	3,819,829	3,898,260
Unrestricted	<u>15,427,770</u>	<u>4,803,566</u>
Total business-type activities net assets	28,030,577	27,018,013
Primary Government		
Invested in capital assets, net of related Debt	32,012,410	41,295,617
Restricted	6,028,539	5,739,609
Unrestricted	<u>25,154,915</u>	<u>14,425,463</u>
Total primary government activities net assets	<u>\$ 63,195,864</u>	<u>\$ 61,460,689</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)**

<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>
\$ 22,725,642	\$ 23,508,211	\$ 19,575,370
1,809,467	1,325,678	1,724,357
<u>10,491,950</u>	<u>10,510,694</u>	<u>15,935,983</u>
35,027,059	35,344,583	37,235,710
17,922,605	17,923,279	17,189,833
3,726,739	4,041,076	4,063,351
<u>4,678,782</u>	<u>3,472,607</u>	<u>4,054,635</u>
26,328,126	25,436,962	25,307,819
40,648,247	41,431,490	36,765,203
5,536,206	5,366,754	5,787,708
<u>15,170,732</u>	<u>13,983,301</u>	<u>19,990,618</u>
<u>\$ 61,355,185</u>	<u>\$ 60,781,545</u>	<u>\$ 62,543,529</u>

CITY OF MT. PLEASANT

Expenses	Fiscal Year	
	2003	2004
Governmental Activities		
General Government	\$ 3,712,872	\$ 4,524,451
Public Safety	5,444,499	5,949,392
Public Works	578,261	980,670
Highways, Streets & Bridges	3,047,686	2,913,755
Community Development	25,259	8,213
Interest on Long-term Debt	234,877	185,291
Total Governmental Activities Expenses	13,043,454	14,561,772
Business-type Activities		
Sewer	2,732,908	3,104,507
Water	2,647,050	2,679,197
Solid Waste	429,549	453,950
Project 2000	394,866	90,255
Airport	353,613	428,515
Total Business-type Activities	6,557,986	6,756,424
Total Primary Government	19,601,440	21,318,196
Program Revenue		
Governmental Activities		
Charges for Services		
General Government	998,953	989,087
Public Safety	698,810	748,234
Public Works	120,451	2,715
Highways, Streets & Bridges	1,624,523	1,769,375
Community Development	34,573	22,341
Operating Grants & Contributions	708,919	837,498
Capital Grants & Contributions	1,041,842	728,948
Total Governmental Activities Program Revenue	5,228,071	5,098,198
Business-type Activities		
Charges for Services		
Sewer	2,277,877	2,335,720
Water	2,707,897	2,700,249
Solid Waste	311,026	315,447
Project 2000	539,235	51,000
Airport	241,249	223,648
Operating Grants & Contributions	-	5,727
Capital Grants & Contributions	348,516	109,716
Total Business-type Activities Program Revenue	6,425,800	5,741,507
Total Primary Government	11,653,871	10,839,705
Net (Expense)/Revenue		
Governmental Activities	(7,815,383)	(9,463,574)
Business-type Activities	(132,186)	(1,014,917)
Total Primary Government Net Expense	\$ (7,947,569)	\$ (10,478,491)

**Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Continued)**

2005	Fiscal Year 2006	2007
\$ 4,283,722	\$ 4,639,100	\$ 4,876,310
5,878,192	5,883,276	6,108,607
945,459	1,145,428	417,474
3,028,115	1,976,374	1,784,730
260	6,083	-
157,173	129,574	127,586
<u>14,292,921</u>	<u>13,779,835</u>	<u>13,314,707</u>
2,986,479	2,968,132	2,945,669
3,168,130	3,046,570	2,933,809
311,445	683,256	449,021
886,320	14,809	269,206
375,587	438,889	456,984
<u>7,727,961</u>	<u>7,151,656</u>	<u>7,054,689</u>
<u>22,020,882</u>	<u>20,931,491</u>	<u>20,369,396</u>
1,070,111	1,256,355	1,762,351
872,269	1,014,750	988,905
10,807	1,305	895
1,764,235	1,511,403	1,629,369
59,081	103,780	116,967
1,441,265	980,482	670,304
341,000	-	667,097
<u>5,558,768</u>	<u>4,868,075</u>	<u>5,835,888</u>
2,319,530	2,380,931	2,308,667
2,659,852	2,683,900	2,742,389
325,766	309,106	315,564
819,318	-	625,970
261,061	322,184	311,085
119,207	11,953	15,638
183,803	261,709	-
<u>6,688,537</u>	<u>5,969,783</u>	<u>6,319,313</u>
<u>12,247,305</u>	<u>10,837,858</u>	<u>12,155,201</u>
(8,734,153)	(8,911,760)	(7,478,819)
<u>(1,039,424)</u>	<u>(1,181,873)</u>	<u>(735,376)</u>
<u>\$ (9,773,577)</u>	<u>\$ (10,093,633)</u>	<u>\$ (8,214,195)</u>

CITY OF MT. PLEASANT

	Fiscal Year	
	2003	2004
General Revenue and Other Changes in Net Assets		
Governmental Activities		
Property Taxes	\$ 4,834,001	\$ 5,066,304
Revenue Sharing	3,262,435	3,057,899
Investment Earnings	146,108	134,087
Miscellaneous	-	91,084
Transfers	883,980	391,589
Total Governmental Activities	<u>9,126,524</u>	<u>8,740,963</u>
Business-type Activities		
Property Taxes	150,744	159,088
Investment Earnings	99,744	115,549
Miscellaneous	-	119,305
Transfers	(566,480)	(391,589)
Total Business-type Activities	<u>(315,992)</u>	<u>2,353</u>
Total Primary Government	<u>8,810,532</u>	<u>8,743,316</u>
Changes in Net Assets		
Governmental Activities	1,311,141	(722,611)
Business-type Activities	(448,178)	(1,012,564)
Total Primary Government	<u>\$ 862,963</u>	<u>\$ (1,735,175)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Continued)**

2005	Fiscal Year 2006	2007
\$ 5,295,021	\$ 5,495,829	\$ 6,004,792
3,069,222	3,024,576	2,948,183
267,144	414,859	541,918
46,502	48,603	12,507
638,477	139,802	(137,454)
<u>9,316,366</u>	<u>9,123,669</u>	<u>9,369,946</u>
166,987	176,189	185,753
221,276	273,181	283,026
386,819	131,941	-
(638,477)	(139,802)	137,454
<u>136,605</u>	<u>441,509</u>	<u>606,233</u>
<u>9,452,971</u>	<u>9,565,178</u>	<u>9,976,179</u>
582,213	211,909	1,891,127
(902,819)	(740,364)	(129,143)
<u>\$ (320,606)</u>	<u>\$ (528,455)</u>	<u>\$ 1,761,984</u>

CITY OF MT. PLEASANT

**Governmental Activities Tax Revenue by Source
Last Five Fiscal Years
(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>
2003	\$4,834,001
2004	5,066,304
2005	5,295,021
2006	5,495,829
2007	6,004,792

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF MT. PLEASANT

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
General Fund		
Reserved	\$911,100	\$612,780
Unreserved	3,192,858	1,435,554
Designated	<u>818,847</u>	<u>2,357,477</u>
Total General Fund	<u>\$4,922,805</u>	<u>\$4,405,811</u>
All Other Governmental Funds		
Reserved	\$1,544,370	\$1,514,208
Unreserved, reported in:		
Special Revenue Funds	1,951,648	1,834,279
Capital Projects Funds	83,128	186,890
Debt Service Funds	411,203	-
Designated - Special Revenue Funds	<u>-</u>	<u>366,943</u>
Total All Other Governmental Funds	<u>\$3,990,349</u>	<u>\$3,902,320</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)**

2005	Fiscal Year 2006	2007
\$1,029,881	\$878,406	\$1,013,726
1,657,598	2,124,445	2,628,793
2,493,507	2,443,847	2,943,177
\$5,180,986	\$5,446,698	\$6,585,696
\$1,494,488	\$1,221,808	\$1,123,682
1,661,806	2,011,043	2,632,152
629,656	804,223	3,495,933
-	-	-
263,311	227,293	210,048
\$4,049,261	\$4,264,367	\$7,461,815

CITY OF MT. PLEASANT

REVENUE	Fiscal Year	
	2003	2004
Taxes	\$4,834,001	\$5,066,304
Special Assessments	182,471	150,351
Licenses and Permits	333,509	334,006
Intergovernmental		
Grants	835,049	787,229
Revenue Sharing	4,799,515	4,280,599
Other	38,654	28,912
Charges for Service and Sales	1,190,403	1,417,473
Fines	235,432	229,836
Interest	195,398	164,411
Miscellaneous	873,145	994,427
Total Revenue	13,517,577	13,453,548
EXPENDITURES		
Current Operations		
General Government	4,553,044	4,287,323
Public Safety	5,317,691	5,709,490
Public Works	657,776	831,043
Highways, Streets and Bridges	2,760,578	2,635,375
Community Development	25,259	248,213
Debt Service		
Principal	1,265,000	585,000
Interest	257,320	192,015
Other	1,975	1,475
Total Expenditures	14,838,643	14,489,934
Excess of Revenue Over (Under) Expenditures	(1,321,066)	(1,036,386)
OTHER FINANCING SOURCES (USES)		
Transfers In	2,408,827	1,712,491
Transfers Out	(1,810,697)	(1,284,128)
Transfers from Component Units	317,500	-
Proceeds from Sale of Bonds	-	-
Total Other Financing Sources (Uses)	915,630	428,363
Net Change in Fund Balances	(405,436)	(608,023)
Fund Balance - January 1 (Restated)	9,318,590	8,913,154
Fund Balance - December 31	\$8,913,154	\$8,305,131
Ratio of debt service to total noncapital expenditures	10.30%	5.40%

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)**

2005	Fiscal Year 2006	2007
\$5,295,021	\$5,495,829	\$5,995,391
147,474	124,648	116,123
362,222	390,248	368,682
737,298	152,216	692,223
4,241,142	4,562,898	4,478,656
21,476	22,695	19,217
1,607,724	1,618,470	1,657,052
204,591	219,064	217,762
278,160	423,339	541,989
1,334,101	871,026	1,221,353
14,229,209	13,880,433	15,308,448
4,252,121	4,401,841	4,238,132
5,557,627	5,818,308	5,854,335
734,666	906,329	2,644,920
2,979,874	1,806,618	1,468,858
65,260	21,083	102,500
600,000	590,000	245,000
164,632	136,596	109,098
1,475	1,475	850
14,355,655	13,682,250	14,663,693
(126,446)	198,183	644,755
2,313,366	1,910,469	1,282,162
(1,635,004)	(1,733,450)	(1,377,797)
-	-	-
-	-	3,787,326
678,362	177,019	3,691,691
551,916	375,202	4,336,446
8,678,331	9,335,862	9,711,065
\$9,230,247	\$9,711,064	\$14,047,511
5.30%	5.30%	2.40%

CITY OF MT. PLEASANT

**Taxable Value
Last Ten Fiscal Years**

Fiscal Year Ended December 31,	Real Property				Personal Property	Total Taxable Value	Total Direct Tax Rate
	Residential	Commercial	Industrial	Development			
1998	\$142,381,017	\$79,197,482	\$6,847,150	\$1,399,500	\$35,710,959	\$265,536,108	16.40
1999	148,437,647	77,857,449	11,485,200	990,100	38,449,826	277,220,222	15.45
2000	153,909,053	81,961,996	7,933,100	892,400	44,071,535	288,768,084	15.45
2001	163,128,314	90,405,310	7,945,200	710,600	45,298,503	307,487,927	15.45
2002	172,466,272	93,133,502	8,740,500	655,800	40,047,405	315,043,479	15.45
2003	180,268,433	103,314,693	8,940,355	655,800	35,728,401	328,907,682	15.45
2004	189,437,365	109,728,014	9,261,221	544,800	37,915,196	346,886,596	15.45
2005	199,218,988	115,698,468	9,510,092	538,650	39,971,147	364,937,345	15.45
2006	210,824,022	124,467,919	10,042,988	554,870	40,645,688	386,535,487	15.45
2007	222,704,963	133,611,211	10,846,623	752,310	41,261,851	409,176,958	15.75

Note - Information Obtained from City Treasurer

Property in the City is reassessed annually. The City assesses property at approximately 50% of actual value for all types of real and personal property. Tax Rates are per \$1,000 of taxable value.

CITY OF MT. PLEASANT

**Assessments and Taxes
Property Tax Millage Rates -
All Direct and Overlapping Governments
Last Ten Years**

<u>Year Ended</u>	<u>City</u>	<u>School A</u>	<u>Mich Set</u>	<u>R.E.S.D.</u>	<u>County B</u>	<u>Chippewa River Library</u>	<u>Total</u>
1998	16.4000	25.9400	6.0000	2.6089	7.0700	-	58.0189
1999	15.4500	25.7402	6.0000	2.5835	7.0700	1.7300	58.5737
2000	15.4500	25.9400	6.0000	4.3691	7.1200	1.7167	60.5958
2001	15.4500	25.9400	6.0000	4.3418	7.1200	1.7076	60.5594
2002	15.4500	25.9400	6.0000	4.3326	8.1200	1.7057	61.5483
2003	15.4500	25.9400	5.0000	4.3049	8.0200	1.6894	60.4043
2004	15.4500	25.9400	6.0000	4.2999	8.0200	1.6894	61.3993
2005	15.4500	24.2200	6.0000	4.2985	8.1700	1.6894	59.8279
2006	15.4500	24.0200	6.0000	4.2985	9.1500	1.6894	60.6079
2007	15.7500	23.4800	6.0000	4.2985	9.1476	1.6859	60.3620

One mill equals \$1.00 of tax per \$1,000 of Taxable Value

Note - Information Obtained from City Treasurer

A - After 1994 reflects impact of Proposal "A" - Taxpayers with a Principal Residence Exemption pay only the mills of school debt, 7.94 for 1998-2004 and 6.22 for 2005, 6.02 for 2006 and 5.48 for 2007.

B - Includes Operating, I.C.T.C., Medical Care Facility debt and Commission on Aging.

CITY OF MT. PLEASANT

**Assessments and Taxes
Ten Largest Taxpayers
2007 Taxable Value
Year Ended December 31, 2007**

Taxpayer	Type of Business	Number Of Parcels	Taxable Value	Percentage of Total Taxable Value
CME Corporation	Industrial/Manufacturer	7	\$ 12,549,371	3.13%
United Investments	Commercial/Rental Property	17	11,693,387	2.86%
Tallgrass Apartments LLC	Rental Property	1	5,562,126	1.36%
Olivieri Management Inc	Commercial/Rental Property	52	4,718,646	1.15%
Meijer, Incorporated	Retail	3	4,077,867	1.00%
Mt. Pleasant Shopping Center	Commercial	4	3,882,312	0.95%
Eagle-Picher Automotive	Industrial/Manufacturer	2	3,943,093	0.96%
Consumers Energy	Utility	1	2,968,753	0.73%
Comfort Inn	Commercial	2	2,695,152	0.66%
Isabella Bank & Trust	Commercial	17	2,504,935	0.61%
Total Ten Largest Taxpayers			54,595,642	13.34%
Total Other Taxpayers			<u>354,581,316</u>	<u>86.66%</u>
Total Taxable Value (Real/Personal)			<u><u>\$ 409,176,958</u></u>	<u><u>100.00%</u></u>

Note - Information Obtained from City Treasurer

CITY OF MT. PLEASANT

Assessments and Taxes Property Tax Valuations, Tax Rates, Tax Levies, and Collections Years Ended 1998 Through 2007

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Real Property										
Taxable Value	\$367,915,107	\$345,889,799	\$324,966,198	\$308,971,400	\$293,179,281	\$274,996,074	\$262,189,424	\$244,696,549	\$238,770,396	\$229,825,149
Personal Property										
Taxable Value	41,261,851	40,645,688	39,971,147	37,915,196	35,728,401	40,047,405	45,298,503	44,071,535	38,449,826	35,710,959
Total Real and Personal										
Taxable Value	409,176,958	386,535,487	364,937,345	346,886,596	328,907,682	315,043,479	307,487,927	288,768,084	277,220,222	265,536,108
Tax Rate (Mills)										
Operating and Recycling	12.471	12.539	12.449	12.5360	11.3210	9.9514	10.2644	9.9594	8.7094	9.0694
Capital Improvements	1.85	1.85	2.0000	2.0000	3.0000	2.0000	2.0000	2.0000	2.0000	2.0000
1991 Refunding Bond	-	-	-	-	-	-	-	-	1.0800	0.4650
Police - Fire Pension	1.129	0.981	0.767	0.5410	0.3240	0.3160	0.4800	0.6800	1.4500	1.4100
Local Street	-	-	-	-	-	0.5000	-	-	1.0800	0.4650
Storm Drain Improvements	-	-	-	-	-	0.8591	0.8591	0.8591	0.8591	0.8591
1996 Refunding Debt	-	0.08	0.234	0.3730	0.8050	0.9370	0.9600	1.0650	0.4650	1.7100
Project 2000	-	-	-	-	-	0.8865	0.8865	0.8865	0.8865	0.8865
Borden Building Debt	0.3000	-	-	-	-	-	-	-	-	-
Total Mills	15.7500	15.4500	16.5300	16.8650						
Tax Levy										
Operating and Recycling	\$4,777,048	\$4,846,851	\$4,543,046	\$4,349,564	\$3,723,442	\$3,142,457	\$3,117,157	\$2,681,367	\$2,263,627	\$2,367,641
Capital Improvements	753,548	715,063	729,853	693,753	986,680	630,103	604,807	564,119	545,491	522,116
1996 Refunding Bond	-	30,894	85,366	129,360	264,737	295,183	290,289	285,809	120,177	121,395
Police - Fire Pension	432,441	379,162	279,878	177,461	106,535	92,315	132,003	174,079	362,020	368,093
Storm Drain Improvements	-	-	-	-	-	270,639	259,774	230,547	222,030	224,275
1991 Refunding Bond	-	-	-	-	-	-	-	-	279,121	446,409
Local Street	-	-	-	-	-	157,507	-	-	-	-
Project 2000	-	-	-	-	-	279,272	268,060	250,026	241,788	231,427
Borden Building Debt	122,177	-	-	-	-	-	-	-	-	-
Total Levy	\$6,085,214	\$5,971,970	\$5,638,143	\$5,350,138	\$5,081,394	\$4,867,476	\$4,672,090	\$4,185,947	\$4,034,254	\$4,281,356
Total Collections	\$6,085,214	\$5,971,970	\$5,638,143	\$5,350,138	\$5,081,394	\$4,867,476	\$4,672,090	\$4,185,947	\$4,034,254	\$4,281,356

Note 1 – Tax levies are before TIFA Captures.

Note 2 – Beginning in 1968, the County began paying the City the full amount of delinquent real property taxes upon settlement in the subsequent March of each year.

Delinquent personal property taxes are considered negligible.

Note - Information Obtained from City Treasurer

CITY OF MT. PLEASANT

Long-Term Debt
Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Fund Expenditures
Years Ended 1998 Through 2007

Year Ended	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures
1998	\$ 853,293	\$ 413,126	\$ 1,266,419	\$ 7,387,311	1 to 5.83
1999	682,732	163,417	846,149	7,332,789	1 to 8.67
2000	625,000	166,627	791,627	7,764,020	1 to 9.81
2001	550,000	137,615	687,615	9,207,462	1 to 13.39
2002	580,000	119,818	699,818	10,758,657	1 to 15.37
2003	585,000	91,495	676,495	9,938,232	1 to 14.69
2004	385,000	61,770	446,770	10,142,168	1 to 22.70
2005	395,000	42,340	437,340	9,769,895	1 to 22.34
2006	380,000	22,693	402,693	9,893,565	1 to 24.57
2007	235,000	107,800	342,800	9,585,350	1 to 27.96

CITY OF MT. PLEASANT

**Long-Term Debt
Ratio of Net General Obligation Bonded Debt to
Taxable Value and Net Bonded Debt Per Capita
Years Ended 1998 Through 2007**

<u>Year Ended</u>	<u>A Population</u>	<u>B Taxable Value</u>	<u>General Obligation Debt</u>	<u>Available Debt Service Monies</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed/ Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1998	23,299	\$ 265,536,108	\$ 3,825,000	\$ 369,296	\$ 3,455,704	\$ 76.84	\$ 148
1999	23,299	277,220,222	3,435,000	340,766	3,094,234	89.59	133
2000	23,299	288,768,084	2,950,000	360,752	2,589,248	111.53	111
2001	25,946	307,487,927	2,400,000	377,356	2,022,644	152.02	78
2002	25,946	315,043,479	4,995,000	388,174	1,431,826	220.03	55
2003	25,946	328,907,682	4,410,000	378,690	4,031,310	81.59	155
2004	25,946	346,886,956	3,835,000	377,027	3,457,973	100.32	133
2005	25,946	364,937,345	3,245,000	333,268	2,911,732	125.33	112
2006	25,946	386,535,487	2,665,000	75,000	2,590,000	149.24	100
2007	25,946	409,176,958	6,115,000	172,177	5,942,823	68.85	229

A - Obtained from the Census Bureau.

B - Obtained from Treasurer's Office.

CITY OF MT. PLEASANT

**Long-Term Debt
Computation of Direct and Overlapping Debt
Year Ended December 31, 2007**

Name of Governmental Unit	Total Long-Term Debt Outstanding	Balances On Hand	Net Debt Outstanding	Percentage Applicable to City Residents	City Resident's Share of Debt
<u>Direct Debt</u>					
General Obligation Bonds	\$ 50,000	\$ 50,000	\$ -		
Special Assessment Bonds	15,000	15,000	-		
Building Authority	2,380,000	23,521	2,356,479		
TIFA/DDA Bonds	990,000	-	990,000		
Capital Improvement	3,685,000	122,177	3,562,823		
Water Revenue Bonds	6,590,000	596,700	5,993,300		
Wastewater Revenue Bonds	<u>4,890,000</u>	<u>529,493</u>	<u>4,360,507</u>		
 Total Direct	 18,600,000	 1,336,891	 17,263,109	 100.00%	 \$ 17,263,109
<u>Overlapping Debt</u>					
Isabella County	12,254,240	-	12,254,240	27.42%	3,360,113
Mt. Pleasant Public Schools	48,565,000	-	48,565,000	47.11%	22,878,972
Gratiot Isabella Intermediate School District	<u>150,000</u>	<u>-</u>	<u>150,000</u>	19.66%	<u>29,490</u>
 Total Overlapping Debt	 <u>60,969,240</u>	 <u>-</u>	 <u>60,969,240</u>		 <u>26,268,574</u>
 Total Direct and Overlapping Debt	 <u>\$ 79,569,240</u>	 <u>\$ 1,336,891</u>	 <u>\$ 78,232,349</u>		 <u>\$ 43,531,683</u>

The overlapping debt represents the share of the County and School debt that city residents are responsible for and are paying through separate millage levied by the County and School. Overlapping debt prepared from Michigan Advisory Council of Michigan data.

CITY OF MT. PLEASANT

**Long-Term Debt
Computation of Legal Debt Margin
For General Obligation Bonds
Year Ended December 31, 2007**

State Equalized Value - December 31, 2007		<u>\$ 504,059,851</u>
Debt Limit – 10% of State Equalized Assessed Value		\$ 50,405,985
Amount of Debt Applicable to Limit - General Obligation Bonds	\$ 6,115,000	
Less Assets Available for Debt Service	<u>172,177</u>	
Net General Obligation Debt Subject to Limit		<u>6,287,177</u>
Legal Debt Margin		<u>\$ 44,118,808</u>
Total net debt applicable to the limit as a percentage of debt limit		0%

CITY OF MT. PLEASANT

**Long-Term Debt
Revenue Bond Coverage
Years Ended 1997 Through 2006**

Year Ended	Gross Revenue	General Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$4,724,061	\$2,289,290	\$2,434,771	\$326,512	\$687,059	\$1,013,571	2.40
1999	3,670,179	2,670,971	999,208	341,104	611,167	952,271	1.05
2000 A	3,105,578	2,180,521	925,057	181,449	418,264	599,713	1.54
2001 B	7,329,371	4,791,649	2,537,722	732,892	777,907	1,510,799	1.68
2002	6,598,309	5,227,945	1,370,364	777,223	934,351	1,711,574	0.80
2003	6,762,278	5,930,064	832,214	899,119	907,636	1,806,755	0.46
2004	6,084,900	5,498,229	586,671	992,333	855,627	1,847,960	0.32
2005	5,600,882	5,984,802	(383,920)	1,004,559	806,429	1,810,988	0.00
2006	5,306,311	3,668,671	1,637,640	500,000	596,363	1,096,363	1.49
2007	5,293,194	3,562,385	1,730,809	520,000	557,760	1,077,760	1.61

A - Waste Water Revenue bonds Issued 2000. No principal was due during 2000.

CITY OF MT. PLEASANT

**Miscellaneous Statistics
Demographic Statistics
Years Ended 1998 Through 2007**

<u>Year Ended</u>	<u>A Population</u>	<u>B School Enrollment</u>	<u>C Unemployment Rate</u>
1998	23,299	4,981	3.00%
1999	23,299	4,992	2.90%
2000	23,299	4,734	2.80%
2001	25,946	4,862	3.25%
2002	25,946	5,129	3.60%
2003	25,946	5,205	4.40%
2004	25,946	4,647	5.30%
2005	25,946	5,040	4.90%
2006	25,946	5,317	5.40%
2007	25,946	5,014	5.50%

Data Sources:

A - Bureau of the Census

B - 1998-2007 - Mt. Pleasant Public Schools, Sacred Heart Academy,
Renaissance Academy, Saginaw Chippewa Academy,
and Community Education

C - Michigan Employment Security Commission
(Annual City Average)

Information regarding total personal income and per capita income not available

CITY OF MT. PLEASANT

**Principal Employers
2006**

<u>Employer</u>	<u>2006 Employees</u>	<u>Rank</u>
Soaring Eagle Hotel & Casino	4,500	1
Central Michigan University	1,000	2
Morbark Inc.	675	3
Delfield Company	650	4
Central Michigan Community Hospital	600	5
Mt. Pleasant Public Schools	575	6
Mt. Pleasant Center	450	7
Mears LLC	400	8
Community Mental Health	350	9
Randell Manufacturing Inc.	346	10

Information presented for Isabella County as this information is not available for the City of Mt. Pleasant.

Source:

Michigan Economic Development Corporation -Information prior to 2006 and 2007 not available.

CITY OF MT. PLEASANT

**Miscellaneous Statistics
Other Statistical Data
Year Ended December 31, 2007**

Date of Incorporation - 1889
Form of Government - Commission – Manager

Area - 7.8 square miles
Miles of Streets:
Paved - 84.71 miles
Unpaved - 2.75 miles

Fire Protection: Number of Stations – 1
 Number of Firefighters – 13 Full Time & 19 Part-Time
 Vehicles – 10

Police Protection: Number of Sworn Officers – 33
 Vehicles – 28

Recreation: Acres of Parks and Facilities – 350
 Number of Playgrounds – 7

Education: Number of Public Schools:
 High Schools – 1
 Junior High Schools – 1
 Elementary Schools – 6
 Alternative Education – 1
 Adult Education – 1
 Number of Private Schools – 4

Number of City Employees:	<u>Administration/ Finance</u>	<u>Public Safety</u>	<u>Community Services</u>	<u>Public Works</u>
Full Time	20	53	17	38
Part-Time	2	19	-	1
Temporary	-	10	14	6
Total	<u>22</u>	<u>82</u>	<u>31</u>	<u>45</u>

CITY OF MT. PLEASANT

**Miscellaneous Statistics
Other Statistical Data
Year Ended December 31, 2007**

Water Utility: Number of Retail Customers – 5,853
Average Daily Use - 2.18 Million Gallons
Total Water Pumped in 2007 – 795,676,000

Sewage Treatment Facility: Number of Retail Customers – 5,599
Average Daily Use – 2.402 Million Gallons
Total Flow in 2007 – 876,760,000 Gallons

Number of Street Lights: 1,042

Elections: Number of Registered Voters – 11,240
Number of Votes Cast in Last General
Percentage of Registered Voters Voting in
General Election - 45.26%

Population: Census population for last six censuses and
1976 and 1992 census:

1950	11,393
1960	14,875
1970	20,504
1976	22,722
1980	23,746
1990	23,285
1992	23,299
2000	25,946



June 24, 2008

To the City Commission
City of Mt. Pleasant

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Mt. Pleasant* (the "City") for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated December 13, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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 governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

- During 2007, significant amounts of the City's water bonds were in-substance defeased through the issuance of advance refunding bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the amount placed in escrow to repay the refunded bonds and the carrying amount of the refunded bonds is being deferred and amortized as a component of interest expense over the remaining life of the refunded bonds.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the

misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity'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.

Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *City of Mt. Pleasant* 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 Mt. Pleasant

Comments and Recommendations

For the Year Ended December 31, 2007

In planning and performing our audit of the financial statements of the **City of Mt. Pleasant** as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. A separate report dated June 24, 2008, contains our report on significant deficiencies in the City's internal control. This letter does not affect our report dated June 24, 2008, on the financial statements of the City of Mt. Pleasant.

We will review the status of these comments during our next audit engagement. We have already discussed 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.

1. Limiting access to key financial data through strong password and access policies is a key IT control. The City of Mt. Pleasant does not have a strong set of password controls that limit access to city financial information. We recommend that management oversee increasing password and other controls for both network and accounting system data to include, but not limited to, the following matters:
 - We understand that computer passwords are not changed on a regular basis. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the City institute a policy that requires passwords to be changed on a regular basis. For the size and complexity of City of Mt. Pleasant, once every six months would be adequate. The City may also wish to investigate building into its software automatic expiration of passwords to ensure that they are changed periodically.
 - When users vacate the work areas for any length of time they should be locking their workstations. Windows provides an effective workstation security system that can be invoked with one set of keystrokes. Locking a personal workstation is a basic control that limits access to accounting records by unauthorized individuals. We recommend

City of Mt. Pleasant

Comments and Recommendations

For the Year Ended December 31, 2007

that City of Mt. Pleasant require all PC users to lock their workstations when they are unattended.

- Usernames and passwords are a key control for limiting access to an organizations network and financial reporting system. Passwords should be forced by the system to be at least eight characters with a combination of letters, numbers and special characters. Currently, The City of Mt. Pleasant does not force either of these controls. We recommend that the user workstations and accounting systems be set to force complex passwords.
- As user's job functions and responsibilities change, so does their needed access to the financial accounting system. If periodic reviews of all end-user rights are not performed, potential situations of abuse arise. We recommend that the City of Mt. Pleasant formalize a procedure to review end-user access on a periodic basis.

Management's Response:

After reviewing the comments by Rehmann Robson, Management responds as follows:

It is good policy to change passwords on a regular basis for the sake of security. The IT department will begin working on a plan for implementing this recommendation.

Workstation lockdown is something the IT Department has always supported and encouraged staff to do prior to leaving their workstations. We will continue to encourage it, but will not require it at this time.

Passwords that are more complex are more difficult to "crack." The IT Department will begin working on a plan for implementing this recommendation, as well.

Access to the financial accounting system should be reviewed periodically, since job functions and responsibilities change periodically. It is important to ensure that users have only those rights and privileges required to perform their assigned tasks within the financial accounting system. The City Treasurer will annually review the user rights to the financial system to ensure they are still appropriate.

City of Mt. Pleasant

Comments and Recommendations

For the Year Ended December 31, 2007

2. To maintain security, the City should also prohibit employees from installing unauthorized software on networked computers and those connected to the Internet. Unauthorized use of instant-messaging, music-swapping, and peer-sharing programs is a particular danger because attacks on those programs cause more severe damage due to the way they work. The City will not be aware of vulnerabilities in unauthorized software and therefore will not be able to protect itself. We recommend that end-users machine have their security right for installing software eliminated so only authorized IT department personnel can install software.

Management's Response:

After reviewing the comments by Rehmann Robson, Management responds as follows:

The City already has a policy prohibiting the unauthorized installation of software on workstations by City staff unless authorized by IT staff. We have not encountered any problems with abuse of this so we will continue to rely on the policy for this instead of changing the computer set-ups to prohibit this.

* * * * *