

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Leslie J. Palmer</i>		Printed Name		License Number

City of Brighton, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

City of Brighton, Michigan

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October 18, 2007

To the Honorable Mayor and City Council
City of Brighton

The annual financial report of the City of Brighton, Michigan (the “City”) for the fiscal year ended June 30, 2007 is submitted herewith. It was prepared by staff in the finance department with the assistance of the audit staff from Plante & Moran, PLLC. This report was prepared in accordance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, the Treasurer of the State of Michigan, and the Government Finance Officers Association. Responsibility for the accuracy, completeness, and fairness of the financial data herein, including all disclosures, rests with the City’s management.

The accompanying report includes full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the City. Operational accountability is the City’s responsibility to report the extent to which we have met our operating objectives efficiently and effectively, using all resources available for that purpose, and whether we can continue to meet our objectives for the foreseeable future. Both the providers and users of City services want to know (1) what public services are provided today and will the City be able to maintain that same (or increased) level of services in future years without an increase in the tax rate?, (2) how much debt is outstanding and will the City be able to repay it without cutting back on the public services provided or increasing the tax rate?, and (3) how does the City compare to other cities with similar characteristics?

The information presented is accurate in all material aspects. The financial statements presented are designed to provide the reader with information to assist in determining both the long-term fiscal health of the City and the City’s ability to meet obligations on a short-term basis. The financial statements contained in this report are designed to fairly set forth the financial position and results of operations of the City and include all disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs.

The Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City of Brighton and related component units. The individual component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The report includes all funds of the City and encompasses a full range of municipal services in the administrative, public safety, community development, and public services functions of the City.

Report Organization

The annual financial report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section - This section introduces the reader to the City of Brighton and to this report, by way of this transmittal letter.

Financial Section/Basic Financial Statements - The independent auditor's report, management's discussion and analysis, government-wide financial statements, combined fund financial statements, component unit financial statements, and notes to the financial statements are included here.

Financial Section/Required Supplemental Information - This section contains a comparative analysis of actual revenue and expenditures versus the original and final amended budget for the General Fund and each individual major Special Revenue Fund.

Statistical and Continuing Disclosure Section - Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect economic and financial trends and provide data pertinent to the City's annual continuing bond disclosure requirements.

General Information

The City of Brighton is located approximately 45 miles northwest of downtown Detroit. It was incorporated as a village in 1867 and became a Home Rule City in 1928. Brighton encompasses an area of approximately 3.65 square miles, has a household population of approximately 7,483, and is the central business hub for approximately 47 percent of Livingston County's approximate 192,036 population, who reside in its southeast quadrant. The City's estimated 3,645 households reflect an approximate average of 2.05 persons per household, which is the lowest in Livingston County.

The City is primarily residential and commercial in nature, with residential land uses comprising 70 percent of the land area and contributing 53 percent of the total ad valorem tax base. Although commercial uses comprise only 14 percent of the City's land, they generate approximately 33 percent of the tax base. Industrial land uses occupy 16 percent of the land and contribute 5 percent to the property tax base. The remaining 9 percent of the ad valorem tax base is comprised of Personal Property Taxes on Commercial and Industrial real estate.

Brighton has the quality of life of a small town, but also has the advantage of being ideally located with easy access to the metropolitan areas of Ann Arbor, Detroit, Flint, and Lansing. The City operates under the Council-Manager form of government. The mayor is chosen by the seven-member elected City Council from among its members. The City Council appoints the City Manager who is responsible for the administration of the City's activities. The City Council also appoints the City Attorney, City Planner, and City Engineer.

Major Initiatives in 2006-2007

- The City added \$1,005,000 of New Fixed Capital Assets, Net of Depreciation, including Sanitary Sewer Lift Station Improvements, road improvements to East Grand River Avenue and Madison Street, the Main and Sixth Street Cross Walk, Wayfinding Signs, Trash Cans and Benches, Art Sculptures, and the purchase of a Street Sweeper.
- The City completed and adopted a comprehensive utility user fee and connection fee rate study and consequently adjusted its connection fee charges and related payment policy.
- The City reviewed its first Other Postemployment Benefit (OPEB) Actuarial Valuation and considered staff recommendations to reduce and fund the projected OPEB liability.
- The City created a Principal Shopping District (PSD), a Special Assessment District (SAD), and assessed the respective property owners for the first of a three-year assessment to fund the promotion of economic activity by conducting market research and public relation campaigns; developing, coordinating, and conducting retail and institutional promotions; and sponsoring special events and related activities.
- The City received its first Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its first submittal for the City's fiscal year 2006-2007 budget document.

Accounting System and Budgetary Control

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, the City's accounting system is organized and operated on a "fund basis." Each fund is a distinct, self-balancing accounting entity.

This report consists of management's representations concerning the finances of the City of Brighton. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, management of the City of Brighton has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Brighton's financial statements in conformity with GAAP.

Internal controls consist of a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise accounting control over assets, liabilities, revenues, and expenditures. Although we believe the City's internal controls have been adequate in safeguarding the assets and providing the basis for reliability in all financial transactions, the City created and filled a new accountant position during the year. The City believes the addition of this new position, along with the related further segregation of duties, will ultimately improve and enhance its internal controls.

In view of the importance of the budget as a planning and control instrument in the City, the accounting system provides the basis for appropriate budgetary control. Budget-to-actual comparisons are included in the required supplemental information found on pages 50-52 of this report. Unlike accounting, budgeting is not essentially a financial procedure; it is primarily a policy-planning process. Therefore, it is much less amenable to standardization; however, the importance of GAAP, audit standards, the credit markets' need for more complete disclosure of the City's underlying condition, and the heightened sophistication of the public and press about the importance of outcomes as well as projections, have combined to professionalize and conform budgeting terms and definitions to GAAP. As a result, common terminology, measurement, and classification are used consistently throughout the City's budget, accounting records, and financial reports.

Expenditures are authorized via an annual budget passed by resolution in which the Council authorizes the level of funding for City operations. The Council adopts an activity level budget, which is considered the maximum authorization to incur liabilities and not a mandate to spend. No obligation shall be incurred against, and no payment shall be made from any appropriation account that lacks a sufficient balance available to meet the obligation. All expenditures, except personnel costs and certain defined exceptions, are required to have an authorized purchase order.

Factors Affecting Financial Condition

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

Local Economy - The economic future of the City of Brighton is inseparably linked and interconnected with the stability and growth of businesses in the Brighton area and the economic future of southeast and south-central Michigan. Economic diversification which enhances the tax base while meeting the service needs of residents without requiring extensive City services is vital to Brighton's economic future. The City can do little to affect interest rates, consumer prices, or, except for very brief periods, the unemployment rate. When it comes to development, however, the City has considerable ability to stimulate the City's economic development through autonomous actions. Although the availability of a skilled labor supply, location and transportation facilities, and energy costs are far more important in industry location decisions than are local tax and expenditure policies, the level of taxation in the City may be an important determinant of business location within the region. How much the City is willing to provide in tax incentives for economic development depends on the probability that the fiscal incentive will work, the need for jobs in the City, and the potential effect of any new industry on the City's revenue and costs. Whatever the effect of the fiscal environment, the City does what it is most capable of to influence location decisions through the fiscal system. According to the Southeast Michigan Council of Governments (SEMCOG), as modified by City data, businesses in the City of Brighton employ approximately 9,000 workers, which is forecasted to increase 33 percent to approximately 12,000 by 2030.

The City's property tax base is well distributed among its taxpayers and has been increasing steadily. Proposal A, which was voted into law on March 15, 1994, created an "assessment cap" of 5 percent or the rate of inflation, whichever is less, until property ownership is transferred, at which time the cap is lifted to the subsequent year's assessed value. Without significant new taxable land development within the City, the assessment cap may adversely affect the City's future ability to finance existing City services. On the other hand, as ownership of properties is transferred and their respective assessment caps are lifted, the cumulative increase in taxable value may exceed the rate of inflation, causing the City's operating millage to be rolled back based on the Headlee Millage Reduction Fraction, which is currently at 15.2734 mills.

Property tax administration involves discovery of the tax base, preparation of an inventory or property list, appraisal and assessment of property value, recognition of exemptions, determination of the tax levy, and finally collection, remittance, and reconciliation of the tax. Fundamental to accomplishing these tasks is the establishment and maintenance of adequate position levels staffed with highly qualified employees, the establishment and maintenance of complete and accurate procedures and forms, and the provision of a system to maintain records and retrieve information in a timely and accurate manner. To that end, we believe the City needs to utilize its existing personnel and technological resources to their optimal value, while at the same time evaluating the need for structural and organizational changes to prepare for the future demands and workloads of this vital and most important revenue source of the City's governmental activities.

The adjusted taxable valuation of \$421,149,713 represents a 9.1 percent increase over the previous year's adjusted taxable valuation. The ratio of total City tax collections to date for tax year 2006 (current and delinquent) to the current tax levy is 99.80 percent.

Long-term Financial Planning - The City's Master Plan includes the goals to provide for capital improvements that are needed to sustain a quality life for its residents, and to explore methods of generating additional revenue to fund operational and capital projects, including alternative funding options such as grant funding. Annually, City staff prepares a six-year Capital Improvement Plan (CIP), which is reviewed by the City Planning Commission and adopted by the City Council. The first year of the adopted CIP is incorporated into the City Manager's proposed budget, if funding is available. The City's DDA has its own development plan, which was previously adopted by the City Council and is also reviewed annually for budgetary considerations. The City's Debt Management Policy has established debt capacity limits or guidelines for the City to use in conjunction with its capital planning and budgeting processes.

Cash Management Policies and Practices - The City makes a serious effort to maximize investment earnings, diversification, and insurability of its investable funds. Idle cash during the year was invested in U.S. Treasuries, cash management funds, guaranteed investment contracts, and annuity funds. Interest earned for the current fiscal year amounted to \$490,655, a decrease of \$3,755 or less than 1 percent from the preceding year, which was caused by steady market rate yields, offset by less available cash to invest due to (1) less bond proceeds and (2) less utility reserves due to a drop off of new utility connection fees.

The Future

We continue to be fiscally sound, accountable, and have operated the City in a good financial manner despite rising costs and demands for services. However, maintaining a sound financial condition for the City continues to be challenging. The City's true financial condition can be broadly defined as its ability to finance its services on a continuing basis. More specifically, financial condition refers to the City's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change.

Maintaining Existing Service Levels - The City can currently afford to continue paying for the services it now provides. Current service levels include the maintenance of capital facilities, such as streets and buildings, in a manner that protects the initial investment and keeps the facilities in usable condition. In addition, the continued provision of City services requires funds for future liabilities, such as debt service payments, which are pledged against the future full faith and credit of the City's tax base. However, as the City approaches the practical build-out of its existing undeveloped lands, and if the current negative trends of reduced Revenue Sharing, reduced personal property taxing ability, the cumulative effects of the Headlee Amendment and Proposal A, and reduced utility connection fees continue well into the future, then the City will be forced to look seriously at possible service cuts.

Withstanding Economic Disruption - The City's current undesignated fund balance provides it a cushion to withstand most local and regional economic disruptions, such as a decision by a major employer to move out of the City, producing a significant negative impact on City employment and its tax base; or a surge of national inflation that affects expenditures more heavily than revenue, leaving the City more funds but less purchasing power. Nevertheless, this may not be sufficient in the event of a natural or criminal disaster, which could require the City to borrow short-term to cover unanticipated emergency expenditures.

Meeting Demands of Growth and Decline - According to recent projections provided by SEMCOG, the City of Brighton's household population is expected to decrease to 7,321 by the year 2030. As we have seen in recent years, population growth can force the City to rapidly assume new debt to finance streets and utility lines, or it can cause a sudden increase in the operating budget to provide necessary services. Loss of population, on the other hand, can leave the City with the same streets and utilities to maintain, but with fewer people to pay for them. Even stability can create financial pressure if a population changes composition. For example, a stable population that becomes older and poorer can require new government programs with expensive start-up costs and operating costs that are more expensive than the current service levels. SEMCOG's projections show an 84 percent increase in the City population age 65 or older and a 53 percent decrease in the City population age 1-17 from the 2000 census through the year 2030. Overall, as the population ages, the persons-per-household is expected to decrease to 1.89.

Financial Forecasting - In order to better understand the financial condition of the City, it will become increasingly important to continue the development of an ongoing financial forecasting model, which should at minimum parallel the City's CIP six-year time frame. The end result of this forecasting model should be intended to communicate what is likely to happen in the future based on where the City is today and where it appears to be heading. The preparation of a reasonably complete forecast will allow the City to look at its options and prudently plan and act accordingly. The newly adopted utility rate and fee study recommendations will have a significant impact on the Utilities Fund forecasts going forward. The Utilities Fund current ratio was 1.74 on June 30, 2007, which is below the target of 2:1. Working capital decreased by approximately \$2,000,000 to approximately \$761,000 at June 30, 2007, which covered 14 percent of the Utilities Fund's operating expenses. To reach the established targets, the Utilities Fund will need to add \$576,000 in working capital. If the recently reduced connection fee per unit and the installment payment option do not generate sufficient capital contributions to the utility systems, then user fee rates will need to be increased, and/or utility expenses and capital assets will need to be cut from the budget.

Accounting and Financial Reporting Resources - GASB continues to issue new statements, which impact and change how the City accounts and reports its financial activities. The statement, which will impact the City the most in the next few years, is GASB No. 45, which will require changes in the reporting of other postemployment benefits (OPEB). This new accounting statement will require the City to calculate an estimate of the nonpension benefits for the City's retirees and potential future retirees, such as retiree health care, to be shown as an accrued liability on the City's accounting records. Rather than using pay-as-you-go for retiree benefits, as the City currently does, GASB 45 will require the City to estimate the future value of such benefits for its retirees, and potential future retirees, and then calculate an actuarial-type derived yearly expense to be shown in its financial accounting records. While GASB 45 requires only accrued accounting of retiree benefits, failure to then fund the calculated annual liability may have additional credit consequences, as an unfunded paper liability will materialize over time.

The effective date of this new accounting standard for the City of Brighton will be in fiscal year 2009-2010. However, the City has already taken a financially prudent approach by establishing an OPEB Reserve Fund in fiscal year 2006-2007 to begin to accumulate an asset to offset the future annual accrued liability. In addition, the City commissioned an actuarial valuation of OPEB, which developed a projection of funding costs and accounting expense, as of June 30, 2006. This valuation reflected that the present value of all benefits expected to be paid to current plan members as of June 30, 2006 was approximately \$13,000,000, of which approximately \$10,670,000 was the actuarial accrued liability, which is the portion attributable to service accrued by plan members as of June 30, 2006.

The annual required contribution (ARC) for fiscal year 2007-2008 was estimated to be approximately \$881,000, of which approximately \$290,000 was expected to be paid out in premiums during fiscal year 2007-2008, leaving approximately \$591,000 as the net OPEB obligation (NOO). During fiscal year 2006-2007, staff developed broad recommendations to reduce and fund the projected NOO. City staff is currently working on more detailed recommendations for further consideration, adoption and implementation during fiscal year 2007-2008.

During fiscal year 2006-2007, GASB issued Statement No. 50, *Pension Disclosures*, which modifies the notes and required supplemental information (RSI) for pension benefits to make them more similar to the information required for OPEB. Based on this new statement, the City will need to analyze more closely the future funding needs of its employee pension system (MERS). The accrued liability of the City's MERS plan was 73 percent funded in 2006. The standard amortization period to fund the unfunded liability has been 30 years. This amortization period was reduced to 29 years in 2006 and will be reduced by one year in each of the next four annual valuations. Beginning with the 2011 valuation a 25-year period will be established with each annual valuation. It is my recommendation that the City should establish a financial policy to become at least 80 percent funded by 2011 and maintain, at minimum, an 80 percent funding level thereafter. This will probably require significant annual cash contributions from the City, over and above the annual required contributions.

Independent Audit

The City Charter requires an annual audit of all accounts of the City by certified public accountants selected by the City Council. This requirement has been complied with and the report of Plante & Moran, PLLC is included herein. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brighton for fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Brighton's financial statements for the fiscal year ended June 30, 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.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department, as well as the advice from Plante & Moran, PLLC. I wish to express my sincere appreciation to all members of the department who assisted and contributed to its preparation. I would also like to express my thanks to the City Manager, the department directors, and each of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "David C. Gajda". The signature is written in a cursive style with a large, stylized initial 'D'.

David C. Gajda
Finance Director

Independent Auditor's Report

To the City Council
City of Brighton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Brighton, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying transmittal letter and statistical and continuing disclosures, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The introductory section, statistical section, and continuing disclosures have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

September 28, 2007

City of Brighton, Michigan

Management's Discussion and Analysis

As the finance director of the City of Brighton (the "City"), I offer readers of the City of Brighton's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. I encourage readers to consider the information presented here in conjunction with additional information that I have furnished in my letter of transmittal, which can be found on pages i-ix of this report.

Financial Highlights

- The assets of the primary government and component units of the City exceeded its liabilities at the close of the most recent fiscal year by \$59,287,477 (net assets). Of this amount, \$3,527,073 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$389,634. This decrease is the net result of an increase of \$295,166 in component unit (DDA and LDFA) net assets and a decrease of \$684,800 in the net assets of the primary government.
- The \$670,557 decrease in the net assets of the primary government is the net result of a \$311,575 increase in the net assets of the governmental activities and a \$996,375 decrease in net assets of the business-type activities (Utilities Fund). The decrease in net assets of the Utilities Fund is primarily the result of increases in operating expenses associated with the implementation of the automatic meter reading system, and decreases in connection fees and investment earnings. The increase in net assets of the governmental activities is primarily the result of increases in property taxes and investment earnings.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,051,640, a decrease of \$772,822 in comparison with the prior year. Approximately 92 percent of the fund balance is available for spending at the City's discretion (unreserved fund balance). The majority of the decrease in the unreserved fund balance is the result of the use of the previous year's bond proceeds in the Major Street and Capital Improvement Funds, as well as planned/budgeted uses of fund balance for capital projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,176,854, or 30 percent of total current General Fund budgeted operating expenditures for the year ended June 30, 2008.
- The City's total debt (primary government and component units) decreased by \$1,862,998 (6 percent) during the current fiscal year. The decrease was caused by the annual maturity of pre-existing debt. No new debt was issued during the fiscal year.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City of Brighton'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 Brighton is improving or deteriorating.

The statement of activities presents information showing how the City'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 the 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 Brighton that are principally supported by taxes and intergovernmental revenue (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 Brighton include general government, public safety, community development, and public services. The business-type activities of the City of Brighton include the water and sewer utility operations.

The government-wide financial statements include not only the City of Brighton itself (known as the primary government), but also a legally separate Downtown Development Authority and a legally separate Local Development Finance Authority, for which the City of Brighton is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (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 Brighton, 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 Brighton 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. This information is useful in evaluating the City's near-term financing requirements.

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

The City of Brighton currently maintains nine 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 balance for the General Fund, Major Street Fund, Local Street Fund, and Capital Improvement Fund, which all are considered to be major funds; and for the new OPEB fund, Principal Shopping District Fund, two Street Debt Funds, and Building Authority Fund, which are considered to be nonmajor funds.

The City of Brighton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the required supplemental information to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds - The City of Brighton maintains one type of propriety fund, which is an Enterprise Fund used to report and account for its utilities (Water and Sewer Fund) operations. The Utilities Fund (which is considered a major fund) is used to report the same functions presented as business-type activities in the government-wide financial statements, but only in more detail. The proprietary fund financial statements can be found on pages 21-23 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Fiduciary Funds - Fiduciary funds are intended to be used to account for resources held for the benefit of parties outside the City government organization. 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 Brighton's own programs. The accounting used for fiduciary funds is much like that of propriety funds. The City of Brighton maintains two fiduciary funds, which are Agency Funds, one for current tax collections and the other for delinquent personal property tax collections. The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the Financial Statements - The notes provide additional information which 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 28-48 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City of Brighton's budgetary comparisons with actual for its General Fund and major Special Revenue Funds. Required supplemental information can be found on pages 50-52 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As shown below, for the year ended June 30, 2007, assets exceeded liabilities by \$59,287,477.

By far, the largest portion of the City of Brighton's net assets (87 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Brighton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brighton's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Condensed Statement of Net Assets (normally presented in thousands of dollars)

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Assets								
Current assets	\$ 7,201.7	\$ 8,113.2	\$ 2,047.1	\$ 4,301.8	\$ 565.3	\$ 479.5	\$ 9,814.1	\$ 12,894.5
Capital assets	33,804.2	33,282.5	41,048.3	40,631.1	5,190.4	5,330.2	80,042.9	79,243.8
Total assets	41,005.9	41,395.7	43,095.4	44,932.9	5,755.7	5,809.7	89,857.0	92,138.3
Liabilities								
Current liabilities	1,433.7	1,346.7	1,026.5	1,078.3	387.2	366.4	2,847.4	2,791.4
Long-term liabilities	12,255.0	13,043.3	11,777.2	12,566.5	3,690.0	4,060.0	27,722.2	29,669.8
Total liabilities	13,688.7	14,390.0	12,803.7	13,644.8	4,077.2	4,426.4	30,569.6	32,461.2
Net Assets								
Invested in capital assets -								
Net of related debt	21,300.2	20,408.6	28,592.2	27,561.0	1,815.4	1,680.2	51,707.8	49,649.8
Restricted	4,052.5	4,753.7	-	-	-	-	4,052.5	4,753.7
Unrestricted (deficit)	1,964.5	1,843.4	1,699.5	3,727.1	(136.9)	(296.9)	3,527.1	5,273.6
Total net assets	\$ 27,317.2	\$ 27,005.7	\$ 30,291.7	\$ 31,288.1	\$ 1,678.5	\$ 1,383.3	\$ 59,287.4	\$ 59,677.1

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

An additional portion of the City of Brighton's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,527,073) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Brighton is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its primary government and each of its separate activities, i.e., the governmental and business-type activities. In regard to its component units, the unrestricted net assets is in a deficit position, due to the fact that the LDFA Fund's outstanding debt is for assets constructed and subsequently transferred to the City.

Governmental Activities - As shown below, governmental activities increased the City of Brighton's net assets by \$311,575. Last fiscal year, the net assets of the governmental activities decreased by \$17,950. The year-over-year change is the net result of \$523,986 more total revenue than last fiscal year and \$194,461 more total program expenses than last fiscal year. The increase in revenue is primarily in the areas of capital grants and contributions, property taxes, and investment earnings. The increase in expenses is primarily in the general government programs.

Business-type Activities - Business-type activities decreased the City of Brighton's net assets by \$996,375. Last fiscal year, the net assets of the business-type activities increased by \$159,136. The year-over-year change is the net result of \$284,756 less total revenue than last fiscal year and \$870,755 more total program expenses than last fiscal year. Less connection fees and investment earnings primarily cause the decrease in revenue. The increase in expenses is primarily the result of the costs associated with the automated meter reading program.

Component Units - Component units increased the City of Brighton's net assets by \$295,166, compared to an increase of \$266,293 in the prior year. The year-over-year change is the net result of \$110,619 more total revenue than last fiscal year and \$81,746 more total program expenses than last fiscal year. The increase in revenue is primarily from tax increment revenue and investment earnings. The increase in expenses is primarily the result of an increase in overall DDA expenses.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Summary Condensed Income Statement (normally presented in thousands of dollars):

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenue								
Program revenue:								
Charges for services	\$ 896.8	\$ 992.9	\$ 3,008.7	\$ 2,899.9	\$ -	\$ -	\$ 3,905.6	\$ 3,892.8
Operating grants and contributions	416.8	414.0	-	-	-	-	416.8	414.0
Capital grants and contributions	406.4	179.2	1,198.1	1,467.5	18.6	42.3	1,623.1	1,689.0
General revenue:								
Property taxes	6,109.0	5,655.0	-	-	919.1	795.1	7,028.2	6,450.1
State-shared revenue	603.8	613.1	-	-	-	-	603.8	613.1
Unrestricted investment earnings	545.5	495.0	78.5	156.8	35.0	25.3	659.0	677.1
Other	185.2	278.0	-	-	2.8	2.2	188.0	280.2
Loan on sale of assets	(12.2)	-	(45.8)	-	-	-	(58.0)	-
Total revenue	9,151.3	8,627.2	4,239.5	4,524.2	975.5	864.9	14,366.3	14,016.3
Program Expenses								
General government	2,349.9	1,929.5	-	-	-	-	2,349.9	1,929.5
Public safety	2,153.7	2,123.8	-	-	-	-	2,153.7	2,123.8
Public services	3,195.0	3,437.1	-	-	680.4	598.6	3,875.4	4,035.7
Community development	571.7	584.4	-	-	-	-	571.7	584.4
Interest on long-term debt	569.4	570.4	-	-	-	-	569.4	570.4
Water and sewer	-	-	5,235.9	4,365.1	-	-	5,235.9	4,365.1
Total program expenses	8,839.7	8,645.2	5,235.9	4,365.1	680.4	598.6	14,756.0	13,608.9
Change in Net Assets	\$ 311.6	\$ (18.0)	\$ (996.4)	\$ 159.1	\$ 295.1	\$ 266.3	\$ (389.7)	\$ 407.4

The City's Funds

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

As of the end of the current fiscal year, the City of Brighton's governmental funds reported combined ending fund balances of \$4,051,640, a decrease of \$772,822 in comparison with the prior year. Approximately 56 percent of this total amount (\$2,277,097) constitutes unreserved undesignated fund balance, which is available for investment and/or spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to (1) liquidate contracts and purchase orders of the prior period or for subsequent year expenditures and (2) be reserved for contingent liabilities and other restricted purposes.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

The General Fund is the chief operating fund of the City of Brighton. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$1,710,684 while the total unreserved fund balance reached \$2,176,854. As a measure of the General Fund's liquidity, it may be useful to compare the total unreserved fund balance to total fund operating expenditures. Unreserved fund balance represents 30 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2008.

The total fund balance of the City of Brighton's General Fund decreased by \$173,649 during the current fiscal year. The primary factors for this decrease were more public safety, public services, and general government expenditures.

At the end of the current fiscal year, unreserved undesignated fund balance of the Special Revenue Funds (Major and Local Street Funds, Principal Shopping District Fund, and OPEB Reserve Fund) was \$540,277, while the total unreserved fund balance was \$1,415,571. The majority of the \$540,277 of unreserved and undesignated fund balance at year end is in the Major Street Fund.

At the end of the current fiscal year, the Debt Service Funds (Street Voted and Street Non-voted Debt Funds) had a total fund balance of \$0.

At the end of the current fiscal year, fund balance of the Capital Projects Fund (Capital Improvement and Building Authority Funds) was \$129,423, which is primarily designated for subsequent year expenditures.

Proprietary Funds - The City of Brighton's Utilities Enterprise Fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$1,699,459, down from \$3,727,097 in the prior year. The Utilities Fund had a \$1,646,047 operating loss primarily because the operating revenue does not cover the depreciation expense. This fund generated a net loss of \$996,375. Although this net loss, or decrease in net assets, is less than the operating loss, the one-time collections of connection fees and developer contributions fell significantly short of covering the annual depreciation expenses.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget can be briefly summarized as follows:

- The \$79,240 or 1 percent increase in total revenue from the original budget reflected primarily a net of more than expected property taxes, licenses and permits, and interest earnings, partially offset by less than anticipated state shared revenue, service charges, fines and penalties, and other revenue.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

- The \$462,182 or 5.6 percent increase in total expenditures from the original budget reflected primarily a net of more than expected expenditures in the general government, public safety, public services, and transfers-out activity budgets, partially offset by less than anticipated expenditures in the community development activity budget.

Capital Asset and Debt Administration

Capital Assets - As shown below, the City of Brighton's investment in capital assets for its primary government (governmental and business-type activities) as of June 30, 2007 amounts to \$74,852,531 (net of accumulated depreciation). This investment in capital assets includes land (including rights-of-way), buildings and system, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Brighton's investment in capital assets for its component units (DDA) as of June 30, 2007 amounts to \$5,190,426 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements. The total increase in the City of Brighton's investment in capital assets for the current year was 1.0 percent (a 1.6 percent increase in governmental activities, a 1.0 percent increase for business-type activities, and a 2.6 percent decrease for its component units).

Capital Assets (Net of Depreciation) (in thousands of dollars)

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Land	\$ 13,530.8	\$ 13,530.8	\$ 157.4	\$ 157.4	\$ 578.8	\$ 578.8	\$ 14,267.0	\$ 14,267.0
Buildings and system	4,882.0	4,807.2	19,762.5	20,500.9	1,056.0	1,191.5	25,700.5	26,499.6
Machinery and equipment	1,091.8	1,189.9	543.9	519.5	3,555.7	3,560.0	5,191.4	5,269.4
Infrastructure	14,295.4	13,754.6	20,550.7	19,443.7	-	-	34,846.1	33,198.3
Construction in progress	4.2	-	33.8	9.6	-	-	38.0	9.6
Total	\$ 33,804.2	\$ 33,282.5	\$ 41,048.3	\$ 40,631.1	\$ 5,190.5	\$ 5,330.3	\$ 80,043.0	\$ 79,243.9

Major capital assets acquired during the current fiscal year included the following:

- **Governmental Activities** - The governmental activities capital assets included the City's share of road improvements to East Grand River Avenue, Road Improvements to Madison Avenue, the Main and Sixth Crosswalk, developer contributions, Trash Cans and Benches, and Art Sculptures.
- **Business-type Activities** - Utility related improvements included Sanitary Sewer Lift Station Improvements, utilities related to roadway and street projects, developer contributions, and a street sweeper.
- **Component Units** - DDA improvements included Wayfinding signs and a Mill Pond Dumpster.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Additional information on the City of Brighton's capital assets can be found in Note 5 on pages 37-40 of this report.

Long-term Debt - As shown below, at the end of the current fiscal year, the City of Brighton had total debt outstanding of \$29,020,080. Of this total, \$17,837,000 or 61 percent comprises debt backed by the full faith and credit of the City, including \$1,330,000 of Revenue Bonds; \$3,135,000 or 11 percent is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and \$8,048,080 or 28 percent comprises revenue bonds backed by the revenue of the City's Utility Fund. A total of \$12,504,000 or 43 percent of the total debt is governmental activities debt, \$12,456,080 or 43 percent is business-type activities debt, and the remaining \$4,060,000 or 14 percent is component unit debt.

Outstanding Debt (General Obligation, Special Assessment, and Revenue Debt)

	Primary Government						Total	
	Governmental Activities		Business-type Activities		Component Units			
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
General obligation bonds/ notes	\$ 9,544.0	\$ 10,108.8	\$ 2,903.0	\$ 3,251.2	\$ 4,060.0	\$ 4,380.0	\$ 16,507.0	\$ 17,740.0
Special assessment bonds	2,960.0	3,190.0	175.0	210.0	-	-	3,135.0	3,400.0
Revenue bonds with a general obligation pledge	-	-	1,330.0	1,395.0	-	-	1,330.0	1,395.0
Revenue bonds	-	-	8,048.1	8,348.0	-	-	8,048.1	8,348.0
Total	\$ 12,504.0	\$ 13,298.8	\$ 12,456.1	\$ 13,204.2	\$ 4,060.0	\$ 4,380.0	\$ 29,020.1	\$ 30,883.0

The City of Brighton's total debt decreased by \$1,862,998 (6 percent) during the current fiscal year. The decrease was the result of the annual maturity of pre-existing debt.

The City of Brighton maintains noninsured ratings as follows: A+ from Standard & Poor's, A1/A2 rating from Moody's, and an A+ from Fitch.

State statutes limit the amount of general obligation debt a city may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Brighton is \$53,670,663, which is significantly in excess of the City's total net debt (total debt less special assessment, revenue, MTF, and County-shared debt) of \$13,780,000. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt at June 30, 2007, was \$39,890,663.

Additional information on the City of Brighton's long-term debt can be found in Note 7 on pages 41-45 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Brighton has not been tracked since December 31, 2004. At June 30, 2007, the average unemployment rate for Livingston County was 6.2 percent; for the State of Michigan it was 7.2 percent, and for the United States it was 4.5 percent.
- The Consumer Price Index (CPI) for our region (Detroit/Ann Arbor/Flint) was 2.4 percent for the year ended June 30, 2007, which is a decrease from the CPI of 3.8 percent a year ago. This compares favorably to the Midwest Urban average CPI rate of 2.7 percent and favorably to the national CPI rate of 2.7 percent.

The trends in these economic factors will be considered in preparing the City of Brighton's fiscal year 2008-2009 budget.

During the current fiscal year, unreserved fund balance in the General Fund decreased by \$173,664 to \$2,176,854. The City of Brighton has designated \$466,170 of this amount for future subsequent year expenditures. The remaining unreserved balance of \$1,710,684 is undesignated. Although the unreserved fund balance represents 30 percent of the total current General Fund budgeted operating expenditures at June 30, 2008, the unreserved and undesignated fund balance represents 23 percent of the total current General Fund budgeted operating expenditures at June 30, 2008.

The City's utility user fees were increased and connection fees were decreased for the fiscal year 2007-2008 budget year. The user fees were increased by an average of 5 percent and the connection fees were decreased by an average of 33 percent for all customers. The user fee rate increase was necessary to support the ongoing operations and maintenance of the City's utility systems, while the connection fee rate decrease was implemented to incent development in the City to support the future replacement of existing capital assets. The City continues to see a trend of reduced connection fees, based on the recent economic downturn and as the City approaches its eventual build-out. As connection fees continue to diminish, whether it is by reduced units and/or reduced fees per unit, then the City will need to eliminate its use of utility reserves to fund significant new utility capital projects.

Contacting the City's Management

This financial report is designed to provide a general overview of the City of Brighton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David C. Gajda, finance director, City of Brighton, 200 N. First Street, Brighton, MI 48116.

City of Brighton, Michigan

Statement of Net Assets June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 4,142,600	\$ 513,942	\$ 4,656,542	\$ 557,931
Receivables (Note 4):				
Due within one year	239,414	917,932	1,157,346	7,350
Due in more than one year	2,806,903	141,560	2,948,463	-
Inventories	-	214,465	214,465	-
Prepaid costs and other assets	12,822	259,220	272,042	-
Capital assets - Not being depreciated (Note 5)	13,535,052	191,191	13,726,243	578,764
Capital assets - Net of depreciation (Note 5)	<u>20,269,162</u>	<u>40,857,126</u>	<u>61,126,288</u>	<u>4,611,662</u>
Total assets	41,005,953	43,095,436	84,101,389	5,755,707
Liabilities				
Accounts payable	101,669	93,142	194,811	17,199
Accrued and other liabilities	339,381	140,148	479,529	-
Noncurrent liabilities (Note 7):				
Due within one year	992,646	793,200	1,785,846	370,000
Due in more than one year	<u>12,254,984</u>	<u>11,777,250</u>	<u>24,032,234</u>	<u>3,690,000</u>
Total liabilities	<u>13,688,680</u>	<u>12,803,740</u>	<u>26,492,420</u>	<u>4,077,199</u>
Net Assets				
Invested in capital assets - Net of related debt	21,300,214	28,592,237	49,892,451	1,815,426
Restricted:				
Roads	3,722,735	-	3,722,735	-
Cemetery care	327,659	-	327,659	-
Economic development	2,133	-	2,133	-
Unrestricted	<u>1,964,532</u>	<u>1,699,459</u>	<u>3,663,991</u>	<u>(136,918)</u>
Total net assets	<u>\$ 27,317,273</u>	<u>\$ 30,291,696</u>	<u>\$ 57,608,969</u>	<u>\$ 1,678,508</u>

City of Brighton, Michigan

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and	and
		Contributions	Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 2,349,855	\$ 585,739	\$ -
Public safety	2,153,697	310,987	-
Public services	3,195,010	-	416,732
Community development	571,655	-	-
Interest on long-term debt	569,394	-	-
Total governmental activities	8,839,611	896,726	416,732
Business-type activities - Water and sewer	5,235,896	3,008,743	-
Total primary government	<u>\$ 14,075,507</u>	<u>\$ 3,905,469</u>	<u>\$ 416,732</u>
Component units:			
Downtown Development Authority	\$ 592,433	\$ -	\$ -
Local Development Finance Authority	87,920	-	-
Total component units	<u>\$ 680,353</u>	<u>\$ -</u>	<u>\$ 18,593</u>
General revenues:			
Property taxes			
State-shared revenues			
Interest			
Other			
Loss on disposal of asset			
Total general revenues and loss on disposal of asset			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,538,216)	\$ -	\$ (1,538,216)	\$ -
(1,842,710)	-	(1,842,710)	-
(2,597,749)	-	(2,597,749)	-
(571,655)	-	(571,655)	-
(569,394)	-	(569,394)	-
(7,119,724)	-	(7,119,724)	-
-	(1,029,103)	(1,029,103)	-
(7,119,724)	(1,029,103)	(8,148,827)	-
-	-	-	(573,840)
-	-	-	(87,920)
-	-	-	(661,760)
6,108,946	-	6,108,946	919,141
603,754	-	603,754	-
545,532	78,493	624,025	35,012
185,217	-	185,217	2,773
(12,150)	(45,765)	(57,915)	-
7,431,299	32,728	7,464,027	956,926
311,575	(996,375)	(684,800)	295,166
27,005,698	31,288,071	58,293,769	1,383,342
\$ 27,317,273	\$ 30,291,696	\$ 57,608,969	\$ 1,678,508

City of Brighton, Michigan

	Major Funds			
	General	Major Street	Local Street	Capital Improvement
Assets				
Cash and investments	\$ 2,642,050	\$ 978,024	\$ 34,602	\$ 138,097
Receivables:				
Delinquent taxes	24,578	-	-	-
Customer	42,331	15	-	3,448
Special assessments	-	2,656,991	-	-
Due from other governmental units	101,849	50,617	16,576	-
Total assets	\$ 2,810,808	\$ 3,685,647	\$ 51,178	\$ 141,545
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 77,232	\$ 13,321	\$ 769	\$ 10,347
Accrued liabilities	153,865	-	-	-
Deposits	48,487	-	-	-
Deferred revenue	24,578	2,656,991	-	1,775
Total liabilities	304,162	2,670,312	769	12,122
Fund Balances				
Reserved for:				
Cemetery care	327,659	-	-	-
Economic development	2,133	-	-	-
Encumbrances	60,482	-	581	12,000
Unreserved - Reported in:				
Designated for subsequent years' expenditures	405,688	596,829	6,002	98,192
Designated for postemployment benefits	-	-	-	-
General Fund	1,710,684	-	-	-
Special Revenue Funds	-	418,506	43,826	19,231
Total fund balances	2,506,646	1,015,335	50,409	129,423
Total liabilities and fund balances	\$ 2,810,808	\$ 3,685,647	\$ 51,178	\$ 141,545

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

Fund Balance - Total Governmental Funds

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds - Net of accumulated depreciation

Receivables are expected to be collected over several years and are not available to pay for current year expenditures

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Accrued interest is not due and payable in the current period and is not reported in the funds

Capitalized bond discount costs are not reported in the governmental funds - Net of amortization

Net Assets of Governmental Activities

**Governmental Funds
Balance Sheet
June 30, 2007**

Nonmajor Funds						Total
Principal Shopping District	OPEB Reserve Fund	Street Voted Debt	Street Nonvoted Debt	Building Authority	Governmental Funds	
\$ 104,081	\$ 245,746	\$ -	\$ -	\$ -	\$ 4,142,600	
-	-	-	-	-	24,578	
-	-	-	-	-	45,794	
149,912	-	-	-	-	2,806,903	
-	-	-	-	-	169,042	
\$ 253,993	\$ 245,746	\$ -	\$ -	\$ -	\$ 7,188,917	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,669	
-	-	-	-	-	153,865	
-	-	-	-	-	48,487	
149,912	-	-	-	-	2,833,256	
149,912	-	-	-	-	3,137,277	
-	-	-	-	-	327,659	
-	-	-	-	-	2,133	
-	-	-	-	-	73,063	
26,136	-	-	-	-	1,132,847	
-	245,746	-	-	-	245,746	
-	-	-	-	-	1,710,684	
77,945	-	-	-	-	559,508	
104,081	245,746	-	-	-	4,051,640	
\$ 253,993	\$ 245,746	\$ -	\$ -	\$ -	\$ 7,188,917	
					\$ 4,051,640	
					33,804,214	
					2,833,256	
					(13,247,630)	
					(137,029)	
					12,822	
					\$ 27,317,273	

City of Brighton, Michigan

	Major Funds			
	General	Major Street	Local Street	Capital Improvement
Revenue				
Property taxes	\$ 6,108,946	\$ -	\$ -	\$ -
State-shared	603,754	308,286	100,946	7,500
Charges for services	226,681	-	-	-
Special assessment	-	225,273	-	-
Fines and penalties	310,829	79	79	-
Licenses and permits	333,614	22,399	3,045	-
Interest	294,602	231,643	1,034	3,972
Other	145,251	-	-	39,966
Total revenue	8,023,677	787,680	105,104	51,438
Expenditures				
Current:				
General government	2,100,789	-	-	-
Public safety	2,038,945	-	-	-
Public services	2,072,516	1,104,722	169,927	-
Community development	568,114	-	-	-
Capital outlay	-	-	-	323,716
Debt service	-	-	-	232,902
Total expenditures	6,780,364	1,104,722	169,927	556,618
Excess of Revenue Over (Under) Expenditures	1,243,313	(317,042)	(64,823)	(505,180)
Other Financing Sources (Uses)				
Transfers in	-	-	79,000	400,180
Transfers out	(1,416,962)	(441,436)	-	-
Total other financing sources (uses)	(1,416,962)	(441,436)	79,000	400,180
Net Change in Fund Balances	(173,649)	(758,478)	14,177	(105,000)
Fund Balances - Beginning of year	2,680,295	1,773,813	36,232	234,423
Fund Balances - End of year	\$ 2,506,646	\$ 1,015,335	\$ 50,409	\$ 129,423

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2007**

Nonmajor Funds						
Principal Shopping District	OPEB Reserve Fund	Street Voted Debt	Street Non-Voted Debt	Building Authority	Total Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,108,946	
-	-	-	-	-	1,020,486	
-	-	-	-	-	226,681	
74,956	-	-	-	-	300,229	
-	-	-	-	-	310,987	
-	-	-	-	-	359,058	
6,035	8,246	-	-	-	545,532	
-	-	-	-	-	185,217	
80,991	8,246	-	-	-	9,057,136	
76,609	-	-	-	-	2,177,398	
-	-	-	-	-	2,038,945	
-	-	-	-	-	3,347,165	
-	-	-	-	-	568,114	
-	-	-	-	-	323,716	
-	-	394,394	646,674	100,650	1,374,620	
76,609	-	394,394	646,674	100,650	9,829,958	
4,382	8,246	(394,394)	(646,674)	(100,650)	(772,822)	
-	237,500	394,394	646,674	100,650	1,858,398	
-	-	-	-	-	(1,858,398)	
-	237,500	394,394	646,674	100,650	-	
4,382	245,746	-	-	-	(772,822)	
99,699	-	-	-	-	4,824,462	
\$ 104,081	\$ 245,746	\$ -	\$ -	\$ -	\$ 4,051,640	

City of Brighton, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (772,822)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and recorded as depreciation expense:	
Capital outlay	\$ 1,745,619
Depreciation expense	<u>(1,437,657)</u>
	307,962
Capital assets contributed from developers are recorded as revenue on the statement of activities	225,900
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(119,700)
Bond discounts from the issuance of debt. Governmental funds report discounts as expense when received rather than capitalizing and amortizing the discount	(6,079)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	794,798
Loss from the sale of capital assets is not reported in the governmental funds; the statement of activities records a loss, included in miscellaneous expense	(12,150)
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when incurred in the statement of activities	(116,762)
Reduction in interest expense accrued on long-term debt	<u>10,428</u>
Change in Net Assets of Governmental Activities	<u>\$ 311,575</u>

City of Brighton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise - Utility Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 513,942
Receivables:	
Customer	877,001
Special assessments	182,491
Inventories	<u>214,465</u>
Total current assets	1,787,899
Noncurrent assets:	
Other assets	259,220
Capital assets	<u>41,048,317</u>
Total noncurrent assets	<u>41,307,537</u>
Total assets	43,095,436
Liabilities	
Current liabilities:	
Accounts payable	93,142
Accrued and other liabilities	140,148
Current portion of long-term debt	<u>793,200</u>
Total current liabilities	1,026,490
Noncurrent liabilities:	
Provision for compensated absences	114,370
Long-term debt - Net of current portion	<u>11,662,880</u>
Total noncurrent liabilities	<u>11,777,250</u>
Total liabilities	<u>12,803,740</u>
Net Assets	
Invested in capital assets - Net of related debt	28,592,237
Unrestricted	<u>1,699,459</u>
Total net assets	<u>\$ 30,291,696</u>

City of Brighton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise - Utility Fund
Operating Revenue	
Sales	\$ 2,501,333
Penalties	36,906
Tap charges and other	470,504
	<hr/>
Total operating revenue	3,008,743
Operating Expenses	
Salaries and fringe benefits	1,466,307
Other purchased services	392,352
Purchased property services	129,562
Professional and technical services	114,441
Supplies	660,374
Depreciation	1,500,372
Amortization	27,325
Property	75,932
Utilities	285,756
Other	2,369
	<hr/>
Total operating expenses	4,654,790
Operating Loss	(1,646,047)
Nonoperating Revenue (Expense)	
Interest income	78,493
Interest expense	(581,106)
Loss on disposal of fixed assets	(45,765)
	<hr/>
Total nonoperating expense	(548,378)
Loss - Before contributions	(2,194,425)
Capital Contributions	1,198,050
	<hr/>
Change in Net Assets	(996,375)
Net Assets - Beginning of year	31,288,071
	<hr/>
Net Assets - End of year	<u>\$ 30,291,696</u>

City of Brighton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise - Utility Fund
	Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,946,118
Payments to suppliers	(1,787,946)
Payments to employees	(1,463,091)
	(304,919)
Net cash used in operating activities	(304,919)
Cash Flows from Capital and Related Financing Activities	
Contributions received	615,930
Principal paid on debt	(748,200)
Acquisition and construction of capital assets	(1,390,828)
Interest paid on debt	(581,106)
	(2,104,204)
Net cash used in capital and related financing activities	(2,104,204)
Cash Flows from Investing Activities - Interest received on investments	78,493
Net Decrease in Cash and Cash Equivalents	(2,330,630)
Cash and Cash Equivalents - Beginning of year	2,844,572
Cash and Cash Equivalents - End of year	\$ 513,942
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,646,047)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	1,527,697
Changes in assets and liabilities:	
Accounts receivable	(62,625)
Inventories and other assets	(31,095)
Accounts payable	(96,065)
Accrued and other liabilities	3,216
	3,216
Net cash used in operating activities	\$ (304,919)

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, developers constructed water and sewer lines with an estimated value of \$582,120 and donated them to the City's Enterprise Fund.

City of Brighton, Michigan

Fiduciary Funds Statement of Assets and Liabilities June 30, 2007

	Agency Fund - Tax Collection
Assets - Cash and equivalents	<u>\$ 3,555</u>
Liabilities - Accounts payable and other	<u>\$ 3,555</u>

City of Brighton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and investments	\$ 502,157	\$ 55,774	\$ 557,931
Receivables - Delinquent taxes	7,350	-	7,350
Capital assets	5,190,426	-	5,190,426
Total assets	5,699,933	55,774	5,755,707
Liabilities			
Accounts payable	16,473	726	17,199
Long-term debt	3,375,000	685,000	4,060,000
Total liabilities	3,391,473	685,726	4,077,199
Net Assets (Deficit)			
Investment in capital assets - Net of related debt	1,815,426	-	1,815,426
Unrestricted (deficit)	493,034	(629,952)	(136,918)
Total net assets (deficit)	<u>\$ 2,308,460</u>	<u>\$ (629,952)</u>	<u>\$ 1,678,508</u>

City of Brighton, Michigan

	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Operating Grants and Contributions</u>
Downtown Development Authority	\$ 592,433	\$ 18,593
Local Development Finance Authority	<u>87,920</u>	<u>-</u>
Total governmental activities	<u>\$ 680,353</u>	<u>\$ 18,593</u>

General revenues:

- Taxes
- Interest
- Other

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Local Development Authority	Total
\$ (573,840)	\$ -	\$ (573,840)
-	(87,920)	(87,920)
(573,840)	(87,920)	(661,760)
790,463	128,678	919,141
30,225	4,787	35,012
2,773	-	2,773
823,461	133,465	956,926
249,621	45,545	295,166
2,058,839	(675,497)	1,383,342
\$ 2,308,460	\$ (629,952)	\$ 1,678,508

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Brighton, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Brighton, Michigan:

Reporting Entity

The City of Brighton, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Units

- a. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of 13 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council.
- b. The Local Development Financing Authority (the "Authority") was created to encourage local economic development to prevent conditions of unemployment and promote economic growth in the community. The Authority's governing body, consisting of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Financial statements for the discretely presented component units are available during office hours at the City of Brighton, 200 N. First Street, Brighton, MI 48116.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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.

Note I - Summary of Significant Accounting Policies (Continued)

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

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 Enterprise Fund and component unit financial statements. 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 funds and the Agency Fund utilize 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, for special assessments, which will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Note I - Summary of Significant Accounting Policies (Continued)

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.

The City reports the following major governmental funds:

General Fund - The General Fund is the City'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 Funds - Major and Local Streets Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Capital Improvement Fund - The Capital Improvement Fund is a Capital Projects Fund used to account for the development of non-street related governmental activity capital improvements and related debt of the City.

The City reports the following major proprietary fund:

Utility Fund - The Utility Fund accounts for the results of operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service.

Additionally, the City reports the following nonmajor funds:

Principal Shopping District Fund - The Principal Shopping District Fund is a Special Revenue Fund used to account for funds generated to promote economic activity in the district.

Street Voted Debt and Street Nonvoted Debt Funds - Street Voted Debt and Street Nonvoted Debt Funds are used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

Building Authority Fund - The Building Authority Fund is a Capital Projects Fund used to account for the development of governmental activity capital facility/building improvements and related debt of the City. This fund was created in 1994 by resolution of the City Council.

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (OPEB) Fund - The OPEB Fund is a Special Revenue Fund used to reserve funds for future retiree benefits.

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity or an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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 City has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues 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.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. 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.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes have a final collection date of February 28 of the following year, at which time uncollected taxes are added to the county tax rolls.

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2006 tax is levied and collectible on July 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City totaled \$421,149,713 (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 14.8872 mills for operating purposes and .9345 mills for debt service. This resulted in \$6,269,740 for operating (a portion of which is captured by the LDFA and DDA) and \$393,564 for debt service. These amounts are recognized in the General Fund as tax revenue. Revenues recognized related to the debt service levy are then transferred to the Street Voted Debt Service Fund to properly reflect the debt service levy in that fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of one year or less when acquired. Investments are stated at fair value. Pooled investment income from various funds is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are 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." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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 consumed rather than when purchased. 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.

Note I - Summary of Significant Accounting Policies (Continued)

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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer transmission lines	40 to 50 years
Retention/Equilization basin	40 to 50 years
Building/Treatment facilities	40 to 50 years
Buildings and improvements	40 to 50 years
Machinery and equipment	3 to 15 years
Equipment and other	3 to 15 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The unrestricted fund deficit in the Local Development Finance Authority is due to debt issued for assets constructed and subsequently transferred to the City. Tax captures in future years are intended to pay the related debt service.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2006		\$ (125,214)
Current year building permit revenue		231,407
Related expenses:		
Direct costs	\$ 344,943	
Estimated indirect costs	<u>25,871</u>	
Total construction code expenses		<u>370,814</u>
Current year expenditures in excess of revenue		<u>(139,407)</u>
Cumulative shortfall at June 30, 2007		<u>\$ (264,621)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated six banks for the deposit of its funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,745,520 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit, checking, and savings accounts) insured at year end was \$326,230. The total amount of bank deposits collateralized with securities held by the pledging financial institution was \$915,966. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component unit does not have a deposit policy for custodial credit risk. At year end, the component unit had \$557,931 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The component unit believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the component unit evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Interlocal Agreement Fund	\$ 527,910	Aaa	Moody's
Bank investment pools	139,966	A-1	S&P

Note 4 - Receivables

Receivables as of year end for the City, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government								
	Governmental Activities								Component Units
	General Fund	Major Street Fund	Local Street Fund	Capital Improvement Fund	Other Nonmajor Funds	Total	Business-type Activities	Total	
Receivables:									
Taxes	\$ 24,578	\$ -	\$ -	\$ -	\$ -	\$ 24,578	\$ -	\$ 24,578	\$ 7,350
Customer	42,331	15	-	3,448	-	45,794	877,001	922,795	-
Special assessments	-	2,656,991	-	-	149,912	2,806,903	182,491	2,989,394	-
Intergovernmental	101,849	50,617	16,576	-	-	169,042	-	169,042	-
Net receivables	\$ 168,758	\$ 2,707,623	\$ 16,576	\$ 3,448	\$ 149,912	\$ 3,046,317	\$ 1,059,492	\$ 4,105,809	\$ 7,350

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the only component of deferred revenue was as follows:

	Unavailable
Delinquent property taxes	\$ 24,578
Special assessments	<u>2,808,678</u>
Total	<u>\$ 2,833,256</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated:				
Land, including right-of-ways	\$ 13,530,821	\$ -	\$ -	\$ 13,530,821
Construction in progress	<u>-</u>	<u>4,231</u>	<u>-</u>	<u>4,231</u>
Subtotal	13,530,821	4,231	-	13,535,052
Capital assets being depreciated:				
Roads and sidewalks	22,542,071	1,586,241	-	24,128,312
Buildings and improvements	6,257,353	231,917	-	6,489,270
Equipment and other	<u>3,185,938</u>	<u>149,130</u>	<u>381,381</u>	<u>2,953,687</u>
Subtotal	31,985,362	1,967,288	381,381	33,571,269
Accumulated depreciation:				
Roads and sidewalks	8,787,569	1,045,358	-	9,832,927
Buildings and improvements	1,450,108	157,206	-	1,607,314
Equipment and other	<u>1,996,004</u>	<u>235,093</u>	<u>369,231</u>	<u>1,861,866</u>
Subtotal	<u>12,233,681</u>	<u>1,437,657</u>	<u>369,231</u>	<u>13,302,107</u>
Net capital assets being depreciated	<u>19,751,681</u>	<u>529,631</u>	<u>12,150</u>	<u>20,269,162</u>
Net capital assets	<u>\$ 33,282,502</u>	<u>\$ 533,862</u>	<u>\$ 12,150</u>	<u>\$ 33,804,214</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Disposals and	Balance
	July 1, 2006		Adjustments	June 30, 2007
Capital assets not being depreciated:				
Land	\$ 157,362	\$ -	\$ -	\$ 157,362
Construction in progress	9,565	33,829	9,565	33,829
Subtotal	166,927	33,829	9,565	191,191
Capital assets being depreciated:				
Water and sewer transmission lines	22,805,678	1,278,385	-	24,084,063
Retention/Equalization basin	3,594,244	493,734	-	4,087,978
Buildings/Treatment facilities	29,803,065	16,004	176,830	29,642,239
Machinery and equipment	1,303,251	150,995	123,631	1,330,615
Subtotal	57,506,238	1,939,118	300,461	59,144,895
Accumulated depreciation:				
Water and sewer transmission lines	6,549,099	573,338	-	7,122,437
Retention/Equalization basin	407,083	91,806	-	498,889
Buildings/Treatment facilities	9,302,154	743,580	166,016	9,879,718
Machinery and equipment	783,757	91,648	88,680	786,725
Subtotal	17,042,093	1,500,372	254,696	18,287,769
Net capital assets being depreciated	40,464,145	438,746	45,765	40,857,126
Net capital assets	<u>\$ 40,631,072</u>	<u>\$ 472,575</u>	<u>\$ 55,330</u>	<u>\$ 41,048,317</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Brighton's component units for the year was as follows:

Component Units	Balance July 1, 2006	Additions	Balance June 30, 2007
Capital assets not being depreciated:			
Land	\$ 578,764	\$ -	\$ 578,764
Construction in progress	-	-	-
Subtotal	578,764	-	578,764
Capital assets being depreciated:			
Buildings	2,350,927	122,105	2,473,032
Equipment and other	3,576,889	-	3,576,889
Subtotal	5,927,816	122,105	6,049,921
Accumulated depreciation:			
Buildings	1,159,441	257,623	1,417,064
Equipment and other	16,900	4,295	21,195
Subtotal	1,176,341	261,918	1,438,259
Net capital assets being depreciated	4,751,475	(139,813)	4,611,662
Net capital assets	<u>\$ 5,330,239</u>	<u>\$ (139,813)</u>	<u>\$ 5,190,426</u>

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

Governmental activities:	
General government	\$ 49,615
Public safety	114,752
Public services	1,269,748
Community development	<u>3,542</u>
Total governmental activities	<u>\$ 1,437,657</u>

Depreciation expense for business-type activities was \$1,500,372.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has an active construction project at year end. At year end, the City's commitment with the contractor is as follows:

<u>Project Description</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Madison Street Project	\$ 749,590	\$ 38,061

In addition, the City has committed to one construction project that is scheduled to begin subsequent to year end, as follows:

	<u>Commitment</u>
Spencer Road Reconstruction Project	\$ 365,036

Note 6 - Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Street Nonvoted Debt Fund	\$ 284,238
General Fund	Street Voted Debt Fund	394,394
General Fund	Capital Improvement Fund	400,180
General Fund	Building Authority Fund	100,650
General Fund	OPEB Reserve Fund	237,500
Major Street Fund	Street Nonvoted Debt Fund	362,436
Major Street Fund	Local Street Fund	79,000
	Total	<u>\$ 1,858,398</u>

The transfers from the General Fund to the Street Voted Debt Funds, Building Authority Fund, OPEB Fund, and Capital Improvement Fund, as well as transfers from the Major Street Fund to the Street Voted Debt Fund and Local Street Fund, represent the use of unrestricted resources to finance those programs, except for the transfer from the General Fund to the Street Voted Debt Fund, which is restricted for debt service, in accordance with budgetary authorizations.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2007:

	Governmental Activities	Business-type Activities
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated June 1, 2005; maturing October 2025	\$ 2,950,000	\$ -
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated November 1, 2004; maturing October 2026	1,890,000	210,000
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated August 13, 2003; maturing in April 2018	465,000	-
Capital Improvement Limited Tax Bond, Limited Tax, 4.00% to 6.00%, dated March 3, 2006; maturing October 2025	589,000	186,000
Special Assessment Limited Tax Bond, 3.50% to 5.00%, dated May 29, 2002; maturing in October 2021	2,850,000	-
Street Bonds General Obligation Limited Tax, 3.50% to 5.00%, dated May 29, 2002; maturing in October 2021	355,000	-
Special Assessment Limited Tax Street Bond, 4.75% to 5.60%, dated October 1, 1994; maturing October 2008	110,000	-
Street Bonds General Obligation Unlimited Tax, 5.00% to 5.80%, dated June 1, 1996; maturing in October 2011	950,000	-
Building Authority General Obligation Limited Tax, 5.00% to 5.90%, dated August 1, 1996; maturing in November 2015	850,000	-
Street Bonds General Obligation Unlimited Tax, 4.40% to 4.75%, dated October 1, 1996; maturing in November 2012	1,275,000	-
1999 Michigan Transportation Fund Bonds, 5.00% to 7.00%, dated September 1, 1999; maturing in August 2013	220,000	-

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Outstanding Debt (Continued)

	Governmental Activities	Business-type Activities
2004 Drinking Water Revolving Funds, 2.125%, dated March 25, 2004; maturing October 2023	\$ -	\$ 1,330,000
1995 Special Assessment Bonds, 5.00% to 5.50%, dated July 1, 1993; maturing April 2012	-	175,000
Contract Payable - Livingston County Water Supply System, 6.00%, dated December 1, 1997; maturing December 2016	-	172,000
Contract Payable - Livingston County Water Project, 5.20% to 7.20%, dated September 1, 1988; maturing October 2009	-	395,000
Contract Payable - Livingston County Water Supply System, 4.20% to 5.00%, dated September 1, 1988; maturing November 2015	-	915,000
Contract Payable - Livingston County Water Supply System, 5.00% to 6.50%, dated December 1, 1999; maturing November 2020	-	1,025,000
Michigan Municipal Bond Authority - Wastewater Plant Expansion Revenue Bonds, 3.50% to 5.38 %, dated March 29, 2001; maturing November 2020	-	8,048,080
Compensated absences	<u>743,630</u>	<u>114,370</u>
Total	<u>\$ 13,247,630</u>	<u>\$ 12,570,450</u>

Note 7 - Long-term Debt (Continued)

Outstanding Debt (Continued)

The following is a summary of the debt outstanding of the component units as of June 30, 2007:

2002 Downtown Development Bonds General Obligation Limited Tax, 2.00% to 4.00%, dated November 1, 2002	\$ 2,325,000
2004 Local Development Bonds General Obligation Limited Tax, 4.50% to 4.90%, dated May 29, 2002	520,000
1995 Downtown Development Bonds General Obligation Limited Tax, 6.00% to 6.40%, dated October 1, 1996	475,000
Local Development Bonds General Obligation Limited Tax, 5.10% to 5.70%, dated October 1, 1996	165,000
Downtown Development Bonds General Obligation Limited Tax, 4.25% to 7.25%, dated September 1, 1998	<u>575,000</u>
Total	<u>\$ 4,060,000</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds and notes payable	\$ 10,108,798	\$ -	\$ (564,798)	\$ 9,544,000	\$ 529,000
Special assessment bonds	3,190,000	-	(230,000)	2,960,000	230,000
Compensated absences	626,868	116,762	-	743,630	233,646
Total governmental activities	<u>\$ 13,925,666</u>	<u>\$ 116,762</u>	<u>\$ (794,798)</u>	<u>\$ 13,247,630</u>	<u>\$ 992,646</u>
Business-type Activities					
General obligation bonds and notes payable	\$ 12,994,280	\$ -	\$ (713,200)	\$ 12,281,080	\$ 758,200
Special assessment bonds	210,000	-	(35,000)	175,000	35,000
Compensated absences	110,374	3,996	-	114,370	-
Total business-type activities	<u>\$ 13,314,654</u>	<u>\$ 3,996</u>	<u>\$ (748,200)</u>	<u>\$ 12,570,450</u>	<u>\$ 793,200</u>
Component Unit - General obligation bonds and notes payable	<u>\$ 4,380,000</u>	<u>\$ -</u>	<u>\$ (320,000)</u>	<u>\$ 4,060,000</u>	<u>\$ 370,000</u>

Debt Service Requirements

The annual requirements to service all debt outstanding of the City as of June 30, 2007 (excluding sick and vacation benefits), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 759,000	\$ 539,861	\$ 1,298,861	\$ 793,200	\$ 557,307	\$ 1,350,507
2009	839,000	504,119	1,343,119	848,200	516,025	1,364,225
2010	911,500	464,723	1,376,223	905,700	477,175	1,382,875
2011	971,500	422,465	1,393,965	760,700	440,676	1,201,376
2012	1,001,500	377,371	1,378,871	790,700	406,915	1,197,615
2013-2017	3,359,500	1,372,802	4,732,302	4,186,500	1,471,941	5,658,441
2018-2022	2,912,500	709,639	3,622,139	3,867,500	432,040	4,299,540
2023-2027	1,749,500	182,960	1,932,460	303,580	17,503	321,083
Total	<u>\$ 12,504,000</u>	<u>\$ 4,573,940</u>	<u>\$ 17,077,940</u>	<u>\$ 12,456,080</u>	<u>\$ 4,319,582</u>	<u>\$ 16,775,662</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Debt Service Requirements (Continued)

The annual requirements to service all debt outstanding of the component units as of June 30, 2007, including both principal and interest, are as follows:

	Component Units		
	Principal	Interest	Total
2008	\$ 370,000	\$ 174,595	\$ 544,595
2009	400,000	159,114	559,114
2010	430,000	142,491	572,491
2011	455,000	124,094	579,094
2012	505,000	104,536	609,536
2013-2017	1,625,000	219,841	1,844,841
2018-2022	185,000	49,701	234,701
2023-2027	90,000	5,168	95,168
Total	<u>\$ 4,060,000</u>	<u>\$ 979,540</u>	<u>\$ 5,039,540</u>

Description of Long-term Debt

Primary Government - The City 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 City. County contractual agreements and installment purchase agreements are also general obligations 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 City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Note 8 - Risk Management

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

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

Note 9 - Defined Benefit Pension Plan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates.

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2007, the City's annual pension cost of \$465,835 for the plan was equal to the City's required actuarial contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.90 percent per year, and (c) 2.0 percent to 2.5 percent per year cost of living adjustments for certain retirees. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The amortization period is 30 years. In addition, the City paid a one-time cost of living adjustment of \$321,183 for current retirees in 2007.

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 354,642	\$ 405,227	\$ 465,835
Cost of living adjustment	\$ -	\$ -	\$ 321,183
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	Valuation Dated December 31		
	2004	2005	2006
Actuarial value of assets	\$ 5,669,826	\$ 6,301,994	\$ 7,375,710
Actuarial accrued liability (AAL) (entry age)	\$ 8,049,881	\$ 9,285,361	\$ 10,172,786
Unfunded AAL (UAAL)	\$ 2,380,055	\$ 2,983,367	\$ 2,797,076
Funded ratio	70%	68%	73%
Covered payroll	\$ 2,958,240	\$ 3,029,692	\$ 3,298,689
UAAL as a percentage of covered payroll	80%	98%	85%

Note 10 - Other Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with City policy. Currently, 17 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health benefits are recognized in the General Fund and Utility Fund as the insurance premiums become due; during the year, this amounted to approximately \$279,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released 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 June 30, 2010.

Required Supplemental Information

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 6,006,000	\$ 6,109,600	\$ 6,108,946	\$ (654)
State-shared	616,908	609,601	603,754	(5,847)
Charges for services	132,900	105,000	226,681	121,681
Fines and penalties	313,650	306,750	310,829	4,079
Licenses and permits	284,650	285,800	333,614	47,814
Interest	200,075	280,000	294,602	14,602
Other	313,139	249,811	145,251	(104,560)
Total revenue	7,867,322	7,946,562	8,023,677	77,115
Expenditures				
General government:				
City Council	63,915	66,900	63,642	3,258
City manager	106,825	107,199	105,747	1,452
City clerk	243,873	235,401	227,940	7,461
Legal services	170,024	166,900	166,894	6
Personnel	84,278	84,278	83,401	877
Finance	571,264	571,264	552,197	19,067
Information technology	245,271	245,271	235,925	9,346
Postemployment benefits	222,704	480,000	479,541	459
Other agencies	186,982	180,980	180,980	-
Contingencies	6,000	3,050	3,038	12
Total general government	1,901,136	2,141,243	2,099,305	41,938
Public safety - Police department	2,026,422	2,060,004	2,038,945	21,059
Public services	2,074,289	2,208,457	2,072,516	135,941
Community development	649,550	609,595	569,598	39,997
Total expenditures	6,651,397	7,019,299	6,780,364	238,935
Other Financing Uses - Transfers to other funds	(1,592,662)	(1,686,942)	(1,416,962)	269,980
Net Change in Fund Balance	(376,737)	(759,679)	(173,649)	586,030
Fund Balance - Beginning of year	2,680,295	2,680,295	2,680,295	-
Fund Balance - End of year	<u>\$ 2,303,558</u>	<u>\$ 1,920,616</u>	<u>\$ 2,506,646</u>	<u>\$ 586,030</u>

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Street Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
State-shared	\$ 316,000	\$ 316,000	\$ 308,286	\$ (7,714)
Grants	794,000	794,000	-	(794,000)
Special assessments	224,828	224,828	225,273	445
Fines and penalties	650	650	79	(571)
Licenses and permits	23,475	23,475	22,399	(1,076)
Interest	190,447	190,447	231,643	41,196
Other	-	205,311	-	(205,311)
Total revenue	1,549,400	1,754,711	787,680	(967,031)
Expenditures				
Administration	83,503	83,503	21,111	62,392
Street construction	2,768,000	3,238,728	832,093	2,406,635
Routine maintenance	130,691	130,691	122,003	8,688
Trust maintenance	62,373	46,373	5,988	40,385
Traffic service	124,362	124,362	59,901	64,461
Winter maintenance	76,415	76,415	63,626	12,789
Total expenditures	3,245,344	3,700,072	1,104,722	2,595,350
Other Financing Sources (Uses)				
Operating transfers in	175,000	269,280	-	(269,280)
Operating transfers out	(447,012)	(447,012)	(441,436)	5,576
Issuance of debt	1,260,000	1,260,000	-	(1,260,000)
Total other financing sources (uses)	987,988	1,082,268	(441,436)	(1,523,704)
Net Change in Fund Balance	(707,956)	(863,093)	(758,478)	104,615
Fund Balance - Beginning of year	1,773,813	1,773,813	1,773,813	-
Fund Balance - End of year	<u>\$ 1,065,857</u>	<u>\$ 910,720</u>	<u>\$ 1,015,335</u>	<u>\$ 104,615</u>

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Local Street Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
State-shared	\$ 103,000	\$ 103,000	\$ 100,946	\$ (2,054)
Fines and penalties	650	650	79	(571)
Licenses and permits	3,000	3,000	3,045	45
Interest	1,000	1,000	1,034	34
	<u>107,650</u>	<u>107,650</u>	<u>105,104</u>	<u>(2,546)</u>
Expenditures				
Administration	3,539	3,539	3,535	4
Routine maintenance	79,970	79,970	79,970	-
Trust maintenance	9,177	9,177	430	8,747
Traffic service	39,546	39,546	34,185	5,361
Winter maintenance	49,128	49,128	51,807	(2,679)
	<u>181,360</u>	<u>181,360</u>	<u>169,927</u>	<u>11,433</u>
Other Financing Sources - Operating transfers in				
	<u>79,000</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>
Net Change in Fund Balance	5,290	5,290	14,177	8,887
Fund Balance - Beginning of year	<u>36,232</u>	<u>36,232</u>	<u>36,232</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 41,522</u>	<u>\$ 41,522</u>	<u>\$ 50,409</u>	<u>\$ 8,887</u>

City of Brighton, Michigan

Notes to Required Supplemental Information June 30, 2007

Capital Improvement Fund Budget - The Council adopted a budget for the Capital Improvement Fund based on total expenditures. The original and amended budgeted expenditures were \$588,361 and \$599,932, respectively. Actual expenditures were \$566,618.

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law.

Expenditures are authorized via an annual budget passed by resolution in which the Council authorizes the level of funding for City operations. The Council adopts an activity level budget which is considered the maximum authorization to incur liabilities and not a mandate to spend. No obligation shall be incurred against, and no payment shall be made from, any appropriation account that lacks a sufficient balance available to meet the obligation.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Budgetary Process - The City's annual budget process for the subsequent year begins soon after the audited annual financial report for the prior year is presented to the City Council. After the audit presentation, the City Council holds an annual fall goal-setting retreat, which results in the establishment of the City's goals and objectives for the following year. Soon after the Council's annual goal-setting retreat, staff prepares a six-year Capital Improvement Program (CIP), which is reviewed by the Planning Commission and adopted by the City Council in February. The first year of the adopted six-year CIP is then considered for inclusion in the next year's requested budget document. In January of each year, staff begins developing the operating budget for the next year. In March of each year, the City Manager presents to the City Council the manager's recommended budget for the next year. In April and May of each year, the City Council reviews the manager's recommended budget, makes changes at their discretion, holds a public hearing, and ultimately adopts the City budget for the fiscal year, which begins the next July 1.

Statistical and Continuing Disclosures

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Net Assets by Component Year Ended June 30, 2007

	June 30		
	2005	2006	2007
Governmental Activities			
Invested in capital assets - Net of related debt	\$ 21,091,689	\$ 20,408,614	\$ 21,300,214
Restricted	4,324,672	4,753,721	4,052,527
Unrestricted	<u>1,607,231</u>	<u>1,843,363</u>	<u>1,964,532</u>
Total net assets	27,023,592	27,005,698	27,317,273
Business-type Activities			
Invested in capital assets - Net of related debt	26,433,896	27,426,792	28,592,237
Unrestricted	<u>4,690,079</u>	<u>3,861,279</u>	<u>1,699,459</u>
Total net assets	<u>31,123,975</u>	<u>31,288,071</u>	<u>30,291,696</u>
Primary Government in Total			
Invested in capital assets - Net of related debt	47,525,585	47,835,406	49,892,451
Restricted	4,324,672	4,753,721	4,052,527
Unrestricted	<u>6,297,310</u>	<u>5,704,642</u>	<u>3,663,991</u>
Total net assets	<u>\$ 58,147,567</u>	<u>\$ 58,293,769</u>	<u>\$ 57,608,969</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Changes in Governmental Net Assets Year Ended June 30, 2007

	Fiscal Year Ended June 30		
	2005	2006	2007
Expenses			
General government	\$ 1,665,151	\$ 1,929,394	\$ 2,349,855
Public safety	1,995,052	2,123,785	2,153,697
Public services	3,578,053	3,437,104	3,195,010
Community development	636,678	584,427	571,655
Interest on long-term debt	496,697	570,384	569,394
Total governmental activities	8,371,631	8,645,094	8,839,611
Program Revenues			
Charges for services	1,048,700	992,936	896,726
Operating grants and contributions	423,000	413,954	416,732
Capital grants and contributions	14,325	179,208	406,429
Total program revenue	1,486,025	1,586,098	1,719,887
Net Expenses	(6,885,606)	(7,058,996)	(7,119,724)
General Revenues			
Property taxes	5,228,267	5,654,956	6,108,946
State-shared revenues	624,339	613,149	603,754
Investment earnings	322,100	494,997	545,532
Other	317,421	278,000	185,217
Loss on disposal of asset	-	-	(12,150)
Total general revenues	6,492,127	7,041,102	7,431,299
Change in Net Assets	\$ (393,479)	\$ (17,894)	\$ 311,575

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Changes in Business-type Net Assets Year Ended June 30, 2007

	Year Ended June 30		
	2005	2006	2007
Operating Revenue			
Sales	\$ 2,224,214	\$ 2,455,922	\$ 2,501,333
Penalties	31,420	36,214	36,906
Tap charges and other	432,265	407,793	470,504
Total operating revenue	2,687,899	2,899,929	3,008,743
Operating Expenses			
Salaries and fringe benefits	1,203,460	1,254,269	1,466,307
Other purchased services	449,515	391,987	392,352
Purchased property services	136,611	121,291	129,562
Professional and technical services	78,255	86,569	114,441
Supplies	158,723	110,149	660,374
Depreciation	1,429,624	1,456,073	1,500,372
Amortization	28,033	28,225	27,325
Property	45,311	12,230	75,932
Utilities	278,116	286,684	285,756
Other	2,603	3,670	2,369
Total operating expenses	3,810,251	3,751,147	4,654,790
Operating Loss	(1,122,352)	(851,218)	(1,646,047)
Nonoperating Revenue (Expenses)			
Investment income	90,298	156,814	78,493
Interest expense	(643,587)	(614,014)	(581,106)
Loss on disposal of fixed assets	-	-	(45,765)
Total nonoperating expense	(553,289)	(457,200)	(548,378)
Loss - Before contributions	(1,675,641)	(1,308,418)	(2,194,425)
Contributions	2,028,191	1,467,534	1,198,050
Change in Net Assets	\$ 352,550	\$ 159,116	\$ (996,375)

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	1998	1999	2000	2001
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,435,848</u>	<u>2,322,069</u>	<u>2,538,712</u>	<u>2,007,424</u>
Total General Fund	2,435,848	2,322,069	2,538,712	2,007,424
All Other Governmental Funds				
Reserved	-	-	-	-
Unreserved - Reported in:				
Special Revenue Funds	318,159	399,637	494,451	309,907
Capital Project Funds	1,810,948	1,123,957	950,649	440,100
Debt Service Funds	<u>2,685</u>	<u>-</u>	<u>7,114</u>	<u>-</u>
Total all other governmental funds	<u>2,131,792</u>	<u>1,523,594</u>	<u>1,452,214</u>	<u>750,007</u>
Total	<u>\$ 4,567,640</u>	<u>\$ 3,845,663</u>	<u>\$ 3,990,926</u>	<u>\$ 2,757,431</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Financial Trend Information
Fund Balances
Governmental Funds
Year Ended June 30, 2007**

2002	2003	2004	2005	2006	2007
\$ 2,060	\$ 2,082	\$ 329,748	\$ 329,763	\$ 329,777	\$ 390,274
<u>2,174,337</u>	<u>1,702,626</u>	<u>1,647,746</u>	<u>1,974,173</u>	<u>2,350,518</u>	<u>2,116,372</u>
2,176,397	1,704,708	1,977,494	2,303,936	2,680,295	2,506,646
-	-	-	-	-	12,581
3,810,887	1,110,089	727,868	2,302,809	1,909,744	1,414,990
-	-	67,575	1,842,217	234,423	117,423
<u>2,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,813,267</u>	<u>1,110,089</u>	<u>795,443</u>	<u>4,145,026</u>	<u>2,144,167</u>	<u>1,544,994</u>
<u>\$ 5,989,664</u>	<u>\$ 2,814,797</u>	<u>\$ 2,772,937</u>	<u>\$ 6,448,962</u>	<u>\$ 4,824,462</u>	<u>\$ 4,051,640</u>

City of Brighton, Michigan

	Year Ended			
	1998	1999	2000	2001
Revenue				
Property taxes	\$ 3,314,991	\$ 3,776,513	\$ 4,006,713	\$ 4,334,464
State-shared	979,555	1,009,444	1,034,213	1,108,794
Federal grants	123,782	24,713	43,217	56,105
Charges for services	184,326	312,255	341,046	201,903
Special assessment	70,000	60,000	60,000	60,000
Fines and penalties	71,604	60,239	71,762	82,249
Licenses and permits	396,178	287,421	409,518	332,080
Interest	362,222	321,655	365,058	352,751
Other	224,120	185,819	466,460	443,544
Total revenue	<u>5,726,778</u>	<u>6,038,059</u>	<u>6,797,987</u>	<u>6,971,890</u>
Expenditures				
Current:				
General government	832,801	1,022,801	1,228,203	1,549,515
Community development	490,558	513,777	674,927	643,497
Public safety	1,276,498	1,409,594	1,661,139	1,470,982
Public services - Operating	1,311,280	1,531,113	1,540,565	1,502,967
Public services - Capital (streets)	1,427,887	1,327,223	909,472	1,554,436
Capital outlay (exclusive of streets)	437,280	627,909	553,149	788,788
Debt service	551,225	661,122	743,201	819,082
Total expenditures	<u>6,327,529</u>	<u>7,093,539</u>	<u>7,310,656</u>	<u>8,329,267</u>
Excess of Expenditures Over Revenue	(600,751)	(1,055,480)	(512,669)	(1,357,377)
Other Financing Sources (Uses)				
Transfers in	1,505,630	1,830,261	1,542,107	2,316,051
Transfers out	(1,568,626)	(1,873,274)	(1,629,619)	(2,735,042)
Issuance of debt - Net	1,975,730	376,516	745,444	542,873
Total other financing sources	<u>1,912,734</u>	<u>333,503</u>	<u>657,932</u>	<u>123,882</u>
Net Change in Fund Balances	1,311,983	(721,977)	145,263	(1,233,495)
Fund Balances - Beginning of year	<u>3,255,657</u>	<u>4,567,640</u>	<u>3,845,663</u>	<u>3,990,926</u>
Fund Balances - End of year	<u>\$ 4,567,640</u>	<u>\$ 3,845,663</u>	<u>\$ 3,990,926</u>	<u>\$ 2,757,431</u>
Debt Service as a Percentage of Noncapital Expenditures	14%	15%	15%	16%

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Financial Trend Information
Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2007**

June 30					
2002	2003	2004	2005	2006	2007
\$ 4,645,795	\$ 4,618,690	\$ 4,946,662	\$ 5,228,267	\$ 5,654,956	\$ 6,108,946
1,151,811	1,083,263	1,063,279	1,043,420	1,027,103	1,020,486
406,997	10,000	261,443	3,919	-	-
229,908	229,526	399,748	220,318	254,030	226,681
182,162	234,987	273,234	231,517	230,836	300,229
85,707	86,141	100,484	290,546	276,500	310,987
357,179	365,657	429,986	521,237	462,406	359,058
181,986	198,184	255,485	322,145	494,997	545,532
360,415	302,797	362,361	334,008	278,000	185,217
<u>7,601,960</u>	<u>7,129,245</u>	<u>8,092,682</u>	<u>8,195,377</u>	<u>8,678,828</u>	<u>9,057,136</u>
1,338,917	1,416,735	1,507,881	1,588,897	1,622,722	2,177,398
664,513	532,158	610,250	633,141	580,886	568,114
1,395,203	1,506,373	1,675,356	1,877,046	1,982,940	2,038,945
1,815,027	1,982,612	2,171,842	2,366,576	2,422,938	2,515,072
1,511,099	3,802,354	1,518,689	856,361	962,532	832,093
680,576	428,562	436,533	885,692	1,917,129	323,716
910,764	1,086,902	1,296,437	1,277,822	1,416,101	1,374,620
<u>8,316,099</u>	<u>10,755,696</u>	<u>9,216,988</u>	<u>9,485,535</u>	<u>10,905,248</u>	<u>9,829,958</u>
(714,139)	(3,626,451)	(1,124,306)	(1,290,158)	(2,226,420)	(772,822)
1,841,494	2,860,615	1,929,642	1,431,716	1,573,754	1,858,398
(1,848,643)	(2,106,293)	(1,679,934)	(1,431,716)	(1,573,754)	(1,858,398)
3,953,521	-	530,000	4,966,183	601,920	-
<u>3,946,372</u>	<u>754,322</u>	<u>779,708</u>	<u>4,966,183</u>	<u>601,920</u>	<u>-</u>
3,232,233	(2,872,129)	(344,598)	3,676,025	(1,624,500)	(772,822)
<u>2,757,431</u>	<u>5,989,664</u>	<u>3,117,535</u>	<u>2,772,937</u>	<u>6,448,962</u>	<u>4,824,462</u>
<u>\$ 5,989,664</u>	<u>\$ 3,117,535</u>	<u>\$ 2,772,937</u>	<u>\$ 6,448,962</u>	<u>\$ 4,824,462</u>	<u>\$ 4,051,640</u>
17%	20%	22%	20%	21%	19%

City of Brighton, Michigan

Ad Valorem Taxable Value by Property Type							
Real Property							
Tax Year	Year Ended June 30	Residential	Commercial	Industrial	Personal Property	Total Taxable Value	City Tax Millage
1997	1998	\$ 104,859,100	\$ 64,723,900	\$ 12,117,700	\$ 23,165,500	\$ 204,866,200	17.0020
1998	1999	112,623,200	73,906,000	12,395,400	23,822,200	222,746,800	17.7022
1999	2000	125,684,500	79,495,000	13,258,800	25,573,000	244,011,300	17.5783
2000	2001	136,401,100	83,626,800	14,399,700	27,862,700	262,290,300	17.4689
2001	2002	150,972,300	92,092,100	14,448,400	31,058,900	288,571,700	17.1149
2002	2003	163,674,700	102,640,100	14,880,600	29,566,500	310,761,900	15.9864
2003	2004	174,972,500	108,478,900	15,469,300	29,769,800	328,690,500	16.0494
2004	2005	191,737,300	114,550,700	17,609,700	30,625,900	354,523,600	15.9300
2005	2006	207,300,655	123,326,800	18,942,000	36,392,200	385,961,655	15.9418
2006	2007	222,088,140	139,489,820	22,333,650	37,238,103	421,149,713	15.8217

Note: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value limited for each property by the lower of 5 percent or inflation).

Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records.

**Statistical and Continuing Disclosures
Revenue Capacity Information
Taxable Value and Actual Value of Taxable Property
Year Ended June 30, 2007**

Assessed Value	Estimated Actual Vaue	Taxable Value as a Percent of Assessed Value	Taxable Value as a Percent of Actual	IFT Value	City Levy
\$ 217,035,200	\$ 434,070,400	94	47	\$ 4,188,400	\$ 3,483,135
240,722,000	481,444,000	93	46	5,034,250	3,943,108
271,042,700	542,085,400	90	45	6,586,900	4,289,304
292,188,300	584,376,600	90	45	17,501,200	4,581,923
346,948,700	693,897,400	83	42	12,176,700	4,938,876
371,088,100	742,176,200	84	42	12,107,800	4,967,964
396,171,700	792,343,400	83	41	11,967,600	5,275,285
428,528,700	857,057,400	83	41	12,945,700	5,647,561
474,639,350	949,278,700	81	41	14,956,550	6,152,924
515,698,393	1,031,396,786	82	41	21,008,240	6,663,304

City of Brighton, Michigan

Tax Year	Year Ended June 30	Millage Rates - Direct City Taxes			Overlapping	
		City Operating	City Debt	Total Direct City Tax Rates	Livingston County	Brighton District Library
1997	1998	16.2500	0.7520	17.0020	4.7637	1.1500
1998	1999	16.2500	1.4522	17.7022	4.7304	1.0638
1999	2000	16.2500	1.3283	17.5783	4.4661	1.0261
2000	2001	16.1192	1.3497	17.4689	4.3787	1.0083
2001	2002	15.8872	1.2277	17.1149	4.2368	0.9915
2002	2003	14.8872	1.0992	15.9864	4.2215	0.9609
2003	2004	14.8872	1.1622	16.0494	4.1454	0.9442
2004	2005	14.8872	1.0428	15.9300	3.9168	0.9059
2005	2006	14.8872	1.0546	15.9418	3.9020	0.8878
2006	2007	14.8872	0.9345	15.8217	3.8842	0.7072

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Year Ended June 30, 2007**

Taxes					Total Tax Rate	
Brighton Area Fire Authority	State Education Tax	Livingston Educational Service Agency	Brighton Area Schools - Homestead	Brighton Area Schools - Non- homestead	Homestead	Non- homestead
-	6.0000	2.6502	4.7400	18.0000	36.3059	54.3059
-	6.0000	2.6192	6.6400	17.6027	38.7556	56.3583
-	6.0000	2.5714	6.6275	18.0000	38.2694	56.2694
-	6.0000	2.5213	6.6140	18.0000	37.9912	55.9912
1.0000	6.0000	2.4788	6.6016	18.0000	38.4236	56.4236
0.9906	6.0000	2.4484	6.5947	18.0000	37.2025	55.2025
0.9763	5.0000	2.4088	6.5827	18.0000	36.1068	54.1068
0.9612	6.0000	2.3824	6.1310	18.0000	36.2273	54.2273
0.9532	6.0000	2.3507	6.1203	18.0000	36.1558	54.1558
1.2500	6.0000	2.3361	6.1184	18.0000	36.1176	54.1176

City of Brighton, Michigan

Statistical and Continuing Disclosures Revenue Capacity Information Principal Property Taxpayers Year Ended June 30, 2007

Taxpayer	2006		1997		1997 Rank
	Ad Valorem Taxable Value	Percentage of Total	Ad Valorem Taxable Value	Percentage of Total	
1 Brighton Mall Associates	\$ 7,847,080	1.86	\$ 4,766,900	2.33	2
2 Brighton Holdings LLC	6,828,420	1.62	*	*	*
3 Ventas Brighton, LLC	5,844,500	1.39	*	*	*
4 Meijer Thrifty - Brighton	4,996,820	1.19	4,364,400	2.13	3
5 MJR Group LLC	4,837,530	1.15	*	*	*
6 TG Fluid Systems	4,416,080	1.05	*	*	*
7 Brighton Commercial LLC	4,128,150	0.98	*	*	*
8 Target Corporation	3,806,290	0.90	3,245,000	1.58	4
9 Brighton Care LLC	3,804,070	0.90	*	*	*
10 Stuart Easy Storage, Inc.	2,458,470	0.58	*	*	*
Total taxable value	<u>\$ 421,149,713</u>		<u>\$ 204,866,200</u>		

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Revenue Capacity Information Property Tax Levies and Collections Year Ended June 30, 2007

Tax Year	Year Ended June 30	Total Ad Valorem Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1997	1998	\$ 3,483,135	\$ 3,356,349	96.36	\$ 90,910	\$ 3,447,259	98.97
1998	1999	3,943,108	3,880,807	98.42	47,894	3,928,701	99.63
1999	2000	4,289,304	4,224,106	98.48	46,554	4,270,660	99.57
2000	2001	4,581,923	4,509,987	98.43	51,893	4,561,880	99.56
2001	2002	4,938,876	4,847,013	98.14	82,157	4,929,170	99.80
2002	2003	4,967,964	4,868,108	97.99	74,980	4,943,088	99.50
2003	2004	5,275,285	5,169,780	98.00	91,371	5,261,151	99.73
2004	2005	5,647,561	5,531,786	97.95	83,912	5,615,698	99.44
2005	2006	6,152,924	6,023,669	97.90	111,197	6,134,866	99.71
2006	2007	6,663,304	6,452,094	96.83	198,070	6,650,164	99.80

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	1998	1999	2000	2001
Governmental Activities				
General obligation bonds	\$ 5,665,008	\$ 5,496,044	\$ 5,562,228	\$ 5,273,264
Installment purchase agreements	102,905	429,445	727,902	1,140,651
Special assessment bonds	645,000	585,000	525,000	465,000
Total	6,412,913	6,510,489	6,815,130	6,878,915
Business-type Activities				
General obligation bonds	6,174,834	5,705,045	6,417,222	5,902,400
Special assessment bonds	514,941	455,000	420,000	385,000
Revenue bonds	-	-	-	8,950,000
Total	6,689,775	6,160,045	6,837,222	15,237,400
Total Debt of the Primary Government	13,102,688	12,670,534	13,652,352	22,116,315
Total Taxable Value	204,866,200	222,746,800	244,011,300	262,290,300
Ratio of Total Debt to Taxable Value	6.40%	5.69%	5.59%	8.43%
Total Population	6,425	6,550	6,701	6,800
Total Debt per Capita	\$ 2,039	\$ 1,934	\$ 2,037	\$ 3,252

Note: Does not include outstanding debt of the City's component units

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Debt Capacity Information
Ratios of Outstanding Debt
Year Ended June 30, 2007**

	2002	2003	2004	2005	2006	2007
\$	5,395,000	\$ 5,105,000	\$ 5,285,000	\$ 9,865,000	\$ 10,048,000	\$ 9,544,000
	917,601	678,073	427,069	248,239	60,798	-
	<u>3,975,000</u>	<u>3,890,000</u>	<u>3,660,000</u>	<u>3,425,000</u>	<u>3,190,000</u>	<u>2,960,000</u>
	10,287,601	9,673,073	9,372,069	13,538,239	13,298,798	12,504,000
	5,317,576	4,717,753	4,082,930	3,941,994	3,251,200	2,903,000
	350,000	315,000	280,000	245,000	210,000	175,000
	<u>8,950,000</u>	<u>8,950,000</u>	<u>10,084,406</u>	<u>9,824,406</u>	<u>9,743,080</u>	<u>9,378,080</u>
	<u>14,617,576</u>	<u>13,982,753</u>	<u>14,447,336</u>	<u>14,011,400</u>	<u>13,204,280</u>	<u>12,456,080</u>
	24,905,177	23,655,826	23,819,405	27,549,639	26,503,078	24,960,080
	288,571,700	310,761,900	328,690,500	354,523,600	385,961,655	421,149,713
	8.63%	7.61%	7.25%	7.77%	6.87%	5.93%
	6,900	7,100	7,173	7,182	7,263	7,517
\$	3,609	\$ 3,332	\$ 3,321	\$ 3,836	\$ 3,649	\$ 3,320

City of Brighton, Michigan

Statistical and Continuing Disclosures Debt Capacity Information Ratios of General Bonded Debt Outstanding Year Ended June 30, 2007

Fiscal Year	Tax Limited	Tax Supported Bonds (UTGO)	Other General Obligation Debt	Total General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable		Debt per Capita
	General Obligation Bonds (LTGO)					Value	Population	
1998	\$ 1,715,008	\$ 3,950,000	\$ 102,905	\$ 5,767,913	\$ 204,866,200	2.82	6,425	\$ 898
1999	1,621,044	3,875,000	429,445	5,925,489	222,746,800	2.66	6,550	905
2000	1,812,228	3,750,000	727,902	6,290,130	244,011,300	2.58	6,701	939
2001	1,698,264	3,575,000	1,140,651	6,413,915	262,290,300	2.45	6,800	943
2002	1,995,000	3,400,000	917,601	6,312,601	288,571,700	2.19	6,900	915
2003	1,880,000	3,225,000	678,073	5,783,073	310,761,900	1.86	7,100	815
2004	2,285,000	3,000,000	427,069	5,712,069	328,690,500	1.74	7,173	796
2005	7,090,000	2,775,000	248,239	10,113,239	354,523,600	2.85	7,182	1,408
2006	7,548,000	2,500,000	60,798	10,108,798	385,961,655	2.62	7,263	1,392
2007	7,319,000	2,225,000	-	9,544,000	421,149,713	2.27	7,517	1,270

Note: Does not include outstanding debt of the City's business-type activities or component units

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Debt Capacity Information Direct and Overlapping Governmental Activities Debt Year Ended June 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Brighton Area School District	\$ 67,635,000	19.14	\$ 12,945,339
Livingston Educational Service Agency	2,715,000	5.73	155,570
Livingston County	19,880,052	5.05	1,003,943
Brighton Area District Library	<u>3,310,000</u>	20.25	<u>670,275</u>
Total overlapping debt	93,540,052		14,775,126
Direct net city debt	<u>13,780,000</u>	100.00	<u>13,780,000</u>
Total direct and overlapping debt	<u>\$ 107,320,052</u>		<u>\$ 28,555,126</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	1998	1999	2000	2001
Calculation of Debt Limit				
State Equalized Valuation:				
Ad Valorem	\$ 217,035,200	\$ 240,722,000	\$ 271,042,700	\$ 292,188,300
IFT	4,188,400	5,034,250	6,586,900	17,501,200
Total valuation	221,223,600	245,756,250	277,629,600	309,689,500
Debt Limit (10 percent of taxable value)	22,122,360	24,575,625	27,762,960	30,968,950
Calculation of Debt Subject to Limit				
Total debt*	14,101,808	14,275,644	14,910,831	22,883,464
Less debt not subject to limit:				
Special assessment bonds	1,160,000	1,040,000	945,000	850,000
MTF bonds	480,000	425,000	685,000	610,000
Revenue bonds	-	-	-	8,950,000
Share of County-issued bonds	3,756,808	3,520,644	4,465,861	4,203,464
Net debt subject to limit	8,705,000	9,290,000	8,814,970	8,270,000
Legal Debt Margin	\$ 13,417,360	\$ 15,285,625	\$ 18,947,990	\$ 22,698,950
Net Debt Subject to Limit as Percentage of Debt Limit	39.35%	37.80%	31.75%	26.70%

* Does not include installment loans

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records.

Statistical and Continuing Disclosures
Debt Capacity Information
Legal Debt Margin
Year Ended June 30, 2007

2002	2003	2004	2005	2006	2007
\$ 346,948,700	\$ 371,088,100	\$ 396,171,700	\$ 428,528,700	\$ 474,639,350	\$ 515,698,393
<u>12,176,700</u>	<u>12,107,800</u>	<u>11,967,600</u>	<u>12,945,700</u>	<u>14,956,550</u>	<u>21,008,240</u>
359,125,400	383,195,900	408,139,300	441,474,400	489,595,900	536,706,633
35,912,540	38,319,590	40,813,930	44,147,440	48,959,590	53,670,663
26,327,576	28,217,753	28,638,600	31,996,400	30,822,280	29,020,080
4,325,000	4,205,000	3,940,000	3,670,000	3,400,000	3,135,000
535,000	455,000	365,000	270,000	245,000	220,000
8,950,000	8,950,000	10,084,406	10,060,000	9,743,080	9,378,080
<u>3,887,576</u>	<u>3,622,753</u>	<u>3,393,600</u>	<u>3,131,400</u>	<u>2,844,200</u>	<u>2,507,000</u>
<u>8,630,000</u>	<u>10,985,000</u>	<u>10,855,594</u>	<u>14,865,000</u>	<u>14,590,000</u>	<u>13,780,000</u>
<u>\$ 27,282,540</u>	<u>\$ 27,334,590</u>	<u>\$ 29,958,336</u>	<u>\$ 29,282,440</u>	<u>\$ 34,369,590</u>	<u>\$ 39,890,663</u>
24.03%	28.67%	26.60%	33.67%	29.80%	25.68%

City of Brighton, Michigan

Water and Sewer Revenue Bonds						
Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service		Coverage*
				Principal	Interest	
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	2,644,179	1,718,945	925,234	-	452,951	472,283
2003	2,712,858	2,025,493	687,365	-	415,975	271,390
2004	2,658,277	2,250,106	408,171	150,000	413,350	(155,179)
2005	2,778,197	2,352,594	425,603	250,000	449,075	(273,472)
2006	3,056,743	2,266,849	789,894	315,000	424,003	50,891
2007	3,087,236	3,127,093	(39,857)	365,000	415,951	(820,808)

* Shortfalls in revenue coverage have been subsidized by capital contributions from connection fees.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Debt Capacity Information
Pledged-revenue Coverage
Year Ended June 30, 2007**

Special Assessment Bonds				
Special Assessment Collections		Debt Service		
		Principal	Interest	Coverage
\$	172,383	\$ 105,000	\$ 66,655	\$ 728
	176,427	95,000	60,623	20,804
	153,399	95,000	54,878	3,521
	147,515	95,000	49,233	3,282
	138,747	95,000	43,538	209
	345,090	120,000	177,804	47,286
	471,481	265,000	181,334	25,147
	450,377	270,000	170,768	9,609
	446,248	270,000	159,654	16,594
	426,098	265,000	148,660	12,438

City of Brighton, Michigan

Statistical and Continuing Disclosures Demographic and Economic Information Demographic and Economic Statistics Year Ended June 30, 2007

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemploy- ment Rate (Percent)</u>
1997	6,330	\$ 35,551	*	2.10
1998	6,425	35,551	*	2.00
1999	6,550	35,551	*	1.80
2000	6,701	47,897	\$ 21,007	1.80
2001	6,800	47,897	21,007	2.71
2002	6,900	47,897	22,487	4.10
2003	7,100	47,897	22,487	3.90
2004	7,173	47,897	22,808	3.60
2005	7,182	47,897	22,917	*
2006	7,263	47,897	23,251	*
2007	7,517	47,897	23,364	*

* Not available/no longer available

Note: Personal income is equal to the median household income and only available per the decennial census data.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Demographic and Economic Information Principal Employers Year Ended June 30, 2007

Taxpayer	2007 Employees	Percentage of Total	1998 Employees	Percentage of Total	1998 Rank
1 Brighton Area Schools	860	9.61	300	4.52	2
2 Meijer	310	3.46	675	10.16	1
3 Target	275	3.07	190	2.86	3
4 TG Fluid Systems	267	2.98	*	-	-
5 Eberspaecher	217	2.42	*	-	-
6 VG's	153	1.71	-	-	-
7 Home Depot	150	1.68	*	-	-
8 Work Skills Corporation	150	1.68	52	0.78	12
9 Ontegra Brighton	135	1.51	100	1.51	8
10 Brighton Post Office	85	0.95	*	-	-
Total	<u>2,602</u>	<u>29.07</u>	<u>1,317</u>	<u>19.83</u>	
Estimated total city employment	8,949		6,641		

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Function/Program	1998	1999	2000	2001	2002
General government:					
City manager	1.00	1.00	1.00	1.00	1.00
City clerk/Human resources	2.35	2.35	2.35	2.35	2.35
Finance	<u>5.00</u>	<u>5.00</u>	<u>6.25</u>	<u>5.00</u>	<u>6.25</u>
Total general government	8.35	8.35	9.60	8.35	9.60
Community development	6.00	6.00	6.00	6.00	7.00
Public safety (police)	16.20	16.20	16.20	16.20	17.60
Public services:					
Cemetery	2.00	2.00	2.00	2.00	2.00
Facilities and grounds	-	-	-	-	-
Streets	6.00	6.00	7.00	8.00	9.00
Utilities	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>
Total public services	<u>16.00</u>	<u>16.00</u>	<u>17.00</u>	<u>18.00</u>	<u>19.00</u>
Total	<u>46.55</u>	<u>46.55</u>	<u>48.80</u>	<u>48.55</u>	<u>53.20</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Operating Information
Full-time Equivalent Government Employees
Year Ended June 30, 2007**

2003	2004	2005	2006	2007
1.00	1.00	1.00	1.00	1.00
2.35	2.35	2.35	2.35	2.63
<u>6.39</u>	<u>6.39</u>	<u>6.39</u>	<u>8.39</u>	<u>9.00</u>
9.74	9.74	9.74	11.74	12.63
6.00	6.00	6.00	5.00	5.63
18.60	18.60	18.60	18.60	18.60
2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	3.00	3.00
9.00	9.00	9.00	8.00	8.00
<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>
<u>22.00</u>	<u>22.00</u>	<u>22.00</u>	<u>22.00</u>	<u>22.00</u>
<u>56.34</u>	<u>56.34</u>	<u>56.34</u>	<u>57.34</u>	<u>58.86</u>

City of Brighton, Michigan

Function/Program	1998	1999	2000	2001
Election data:				
Registered voters	4,433	4,406	4,776	4,990
Voters (at the polls or absentee)	*	*	*	3,274
Percent voting	*	*	*	65.61%
Human resource data - Number of recruitments				
	16	12	11	20
Finance data:				
Number of A/P checks	2,675	3,120	2,948	2,721
Number of property tax parcels	*	3,549	3,591	3,658
Number of utility bill customers	*	*	*	*
Police:				
Physical arrests	1,113	1,105	950	1,159
Traffic violations	3,031	3,162	2,837	3,129
Investigations	6,923	6,906	6,901	8,245
Community development data:				
Number of building permits	246	329	307	348
Value of building permits	\$ 13,922,982	\$ 30,177,435	\$ 14,365,383	\$ 19,376,387
Number of building inspections	1,080	1,070	1,370	1,287
Public works data:				
Miles of street constructed, reconstructed, and resurfaced	7.50	4.30	2.60	5.47
Road salt used (tons)	1,294	899	998	1,000
R.O.W. tree plantings	-	140	150	235
Grave openings	*	55	62	64
Water data:				
Total billed consumption (000s)	312,899	*	*	391,693
Avg. billed consump./user (000s)	*	*	*	*
Number of water main breaks	-	2	1	1
Sewer data - Avg. daily treatment (MGD)				
	1.090	1.198	1.110	1.120

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Operating Information
Operating Indicators
Year Ended June 30, 2007**

2002	2003	2004	2005	2006	2007
5,003	5,065	5,039	5,333	5,380	5,443
373	2,645	388	4,018	992	3,239
7.46%	52.22%	7.70%	75.34%	18.44%	59.51%
17	16	17	16	17	12
2,806	2,854	2,884	2,915	2,831	2,330
3,724	3,869	3,863	3,949	4,093	4,107
3,073	3,168	3,248	3,218	3,318	3,376
1,135	1,102	901	1,113	1,028	1,341
3,348	3,406	3,248	4,234	3,912	3,637
8,744	8,306	9,363	11,722	10,382	12,073
326	342	362	352	386	326
\$ 27,560,351	\$ 30,976,003	\$ 36,151,757	\$ 23,223,783	\$ 14,315,439	\$ 15,753,583
1,189	1,274	785	1,073	1,083	789
5.32	5.35	1.32	0.67	0.75	1.00
1,100	650	950	1,100	1,550	1,250
50	40	-	80	54	-
46	53	49	94	60	41
457,908	462,355	463,403	467,964	508,125	485,455
149	159	148	141	152	144
-	1	1	2	2	3
1.224	1.207	1.172	1.368	1.360	1.200

City of Brighton, Michigan

Function/Program	1998	1999	2000	2001	2002
Police - Patrol units	8	8	8	8	8
Public works:					
Streets (miles):					
Major streets	10.40	10.40	10.40	10.40	11.32
Local streets	13.10	13.10	13.10	13.10	13.10
Sidewalks	*	*	*	*	*
Traffic signals	*	*	*	*	*
Water:					
Mains (miles)	*	*	*	*	*
Fire hydrants	*	*	*	*	*
Storage capacity	1,137,000,000	1,137,000,000	1,137,000,000	1,137,000,000	1,137,000,000
Sewer:					
Miles of sanitary sewers	*	*	*	*	*
Miles of storm sewers	*	*	*	*	*
Treatment capacity	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Operating Information
Capital Asset Statistics
Year Ended June 30, 2007**

2003	2004	2005	2006	2007
9	10	10	10	12
11.32	11.32	11.32	11.32	11.32
13.10	13.10	14.99	14.99	15.99
*	*	*	*	80
*	*	*	*	9
*	*	50	52	52
*	*	*	572	481
1,137,000,000	1,137,000,000	1,620,000,000	1,620,000,000	1,620,000,000
*	*	45	45	45
*	*	*	*	27
2,250,000,000	2,250,000,000	2,250,000,000	2,250,000,000	2,250,000



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

September 28, 2007

To the Honorable Mayor and
Members of the City Council
City of Brighton
200 North First Street
Brighton, Michigan 48116

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements for the City of Brighton (the "City") for the year ended June 30, 2007. As a result of our audit, we offer the following observations and comments for your consideration:

New Auditing Standards

A new auditing standard (Statement on Auditing Standards Number 112, referred to as SAS 112) requires us to inform you about any matters that we discover in the course of our audit procedures related to your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency. We emphasize that SAS 112 does not require us to perform an audit of your internal controls, nor does it require us to apply any additional procedures to review your internal controls.

We are also required to communicate these matters to more people. In the past, if appropriate, based on the nature of the item, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the City Council, in addition to our communications with management.

We want you to be aware of this new standard because in any year that our audit procedures find a significant deficiency, we will be required to communicate that to you. We would like to congratulate the City on improving their internal controls in response to last year's suggestions by adding review procedures of the finance director's journal entries.

Upcoming Auditing Standards

Effective for the June 30, 2008 financial statement audit, eight additional audit standards will be in effect. These standards will require the auditors to perform significant additional procedures related to the City's internal controls. This is an excellent opportunity to review the controls that are in place at the City and create internal documentation regarding the design of the internal control environment. We will be meeting with management in the upcoming months to discuss the new standards, the additional procedures that are required, and ways that the City can minimize the impact of these new standards. We would also be happy to meet with the City Council to discuss these new standards if you would like.

Economic Update

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January and May 2007 revenue estimating conferences. According to economists, Michigan is still approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue Sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Rumors on further changes to Michigan's tax structure continue to circulate around Lansing as the legislature continues its work on the State's fiscal year 2007/2008 budget and solving the estimated \$1.8 billion deficit that exists.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate is in process and all indications point to a very busy September for the legislature, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has \$125,754 at risk in its General Fund budget based on 2008 estimated funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Legislature Updates

Personal Property Tax

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate drop in property tax revenue of 10 percent. In addition, the State Tax Commission also approved new personal property tax tables for utilities, which made drastic changes to transmission and distribution property of utilities (resulting in an approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

The new Michigan business tax (MBT) also provides more personal property tax relief to business taxpayers (see details below). Even with this most recent relief provided in June 2007 through the MBT, further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the City, personal property tax is 9 percent of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the *WPW* case. A similar attempt to make this correction occurred in 2005 and 2006 without success.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the "uncapped" value or the "pop-up" value. As several published studies and reports have demonstrated, the treatment of "uncapped" values or the "pop-up" amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the "pop-up" or "uncapping" of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The "pop-up" or "uncapping" of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the "pop-up" or "uncapped" value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as "additions" to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT), which expires on December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT.

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of less than 5 percent on business income. The MBT provides for new investment, compensation, and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes, specifically from the State Education Tax (SET) and local school operating mills. "Industrial" personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). "Commercial" personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills' franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. These provisions sunset on December 31, 2008. Without an extension of this provision, a transfer from the Major Street Fund to the Local Street Fund can only be done to the extent that local revenues exist in the Major Street Fund. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

General Accounting Issues

Healthcare Costs

Healthcare costs continue to be a major concern for all organizations. The increases that continue to be seen in premiums as well as the actuarial measurement of postemployment costs by GASB No. 45 (which will be effective July 1, 2009) continue to emphasize the importance of regularly monitoring healthcare options. It was noted that Blue Cross/Blue Shield premiums increased 14 percent in the 2006-2007 year. In response to this need, Plante & Moran, PLLC does have experts from the healthcare industry on staff that are willing to meet with management to discuss options, including new funding tools which can be used to control costs. In an environment such as yours, where changes to healthcare options are subject to collective bargaining, any change usually takes some time. For this reason, we recommend this issue be dealt with, and options be investigated as soon as possible.

Water and Sewer Rates

Despite raising customer rates, water and sewer operations did not charge an amount sufficient to cover operating costs, resulting in an operating loss of approximately \$1,650,000. The majority of this operating loss is caused by the depreciation expense, which the City does not fund with its user fees. In addition, there also was a "one-time" expense for the completion of the installation of new remote reading meters. We encourage the City to continue reviewing the current rate structure and make additional changes if necessary.

To the Honorable Mayor and
Members of the City Council
City of Brighton

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September 28, 2007

We would like to thank the City Council, management, and all personnel who assisted in the audit. The cooperation and assistance we received is greatly appreciated. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Christopher S. Jones