Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☒City ☐Twp ☐Village ☐Other	City of Monroe	Monroe

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2007	October 15, 2007	November 2, 2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☒	Single Audit Report

Certified Public Accountant (Firm Name)	Telephone Number
Plante & Moran, PLLC	248-352-2500

Street Address	City	State	Zip
27400 Northwestern Highway, P.O. Box 307	Southfield	MI	48037

Authorizing CPA Signature	Printed Name	License Number
Beth Bialy	Beth Bialy	1101017425

City of Monroe, Michigan

Comprehensive Annual Financial Report
with Supplemental Information
for the Year Ended June 30, 2007

Mayor
C.D. "Al" Cappuccilli
City Manager
George A. Brown
City Council
Bill Burkett
Edward F. Paisley
Dorothy L. Edwards
John R. Martin
Linda J. Compora
Brian P. Beneteau

Prepared by:
Finance Director
Edward J. Sell Jr.

City of Monroe, Michigan

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Introductory Section

CITY OF MONROE

November 19, 2007

Honorable Mayor, Members of the City
Council and Citizens of the City of Monroe:

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This report was prepared by the City Finance Department. The financial statements are the representations of the management of the City. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State of Michigan statutes and City Charter require an independent audit of the City's financial transactions and records. The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section. Plante & Moran, PLLC, whose opinion and reports are included, has performed this audit for Fiscal Year 2007.

Included in the financial section of the CAFR is a Management Discussion and Analysis (MD&A) letter. The letter provides additional information and analysis from City management regarding the financial results. It is supplementary information to the financial statements that is intended to provide the financial statement reader

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with additional insight into the City's financial operations. It also provides the reader with additional information as to the layout and contents of the CAFR.

City Government Profile

The last page of the introductory section of the CAFR provides basic information regarding the City of Monroe, the governmental structure, and demographic information. An organizational chart is also included in the introductory section.

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

Michigan law requires that the City adopt budgets for the General Fund and all Special Revenue Funds. The City goes beyond this requirement and adopts budgets for all city funds, except for agency type funds. The process for adopting the budget includes adoption of a Capital Improvement Program budget by the end of February each year, submittal of a budget recommendation by the City Manager to the City Council by April 1 of each year, and final adoption of the budget by the City Council by April 30 of each year. Each of these dates is required to be met as set forth in the City Charter. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of the expenditure budget and not expenditures, they are used as an extension of formal budgetary control. The City Charter also states that "Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned."

Economic Condition and Outlook

Monroe is a major employment center with companies such as Detroit Edison, Automotive Components Holdings, and MAC Steel maintaining facilities here. Monroe is also home to La-Z-Boy, Inc., World Headquarters. The average annual unemployment rate for the area has averaged 5.2% over the last ten years. The unemployment rate for Monroe County as of June 30, 2007 was 6.5%. The current state of decline in the auto industry and the economy in the State of Michigan in general, the closing of an automotive manufacturing plant that is the City's larges employer, and requests for taxable value decreases from Detroit Edison are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately $20 million. This represents a decrease of 4.8 percent over the five-year average of $21 million. Fiscal year 2002 was an exceptional year generating permits valued at $417.3 million. The number of permits issued increased, from 850 in 2006 to 996 in 2007, a 17.2% increase. Prior to fiscal year 2005, building permits issued per year had averaged 1,489. The number of permits issued in 2006 was the lowest in the last 12 years.

The primary long term financial plan adopted by the City is the annual Capital Improvements Program (CIP) budget. A reduced growth in taxable value due to current economic conditions and Proposal A will make it difficult to fund CIP projects at the level they have been in the past. The City contracted with a consultant for a city-wide assessment of the city's operations. The goal was to find efficiencies that can be achieved in City government to help provide for future financial flexibility to help to balance the city's budget and fund capital projects at an acceptable level. The assessment's recommendations are currently being planned for implementation.

Property taxes represent 71% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is "transferred". Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2006 tax year, covering fiscal 2006-7, the overall taxable value was approximately 142 million below state equalized value reducing potential tax revenue by $2.2 million due to the cap, with $1.9 million of that amount being attributed to general operating purposes.

State shared revenue accounts for approximately 12% of the City's General Fund revenue. This revenue was down 2.9 percent from the previous year due to slower than anticipated growth in the State's sales tax collections and the state's budget problems. We continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

The City has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the fiscal year.

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe's citizens/customers continues to be the organization's driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measures have been implemented.

Various capital projects were funded with the adoption of the 2006-2007 budget. The following projects were active in 2006-2007:
Local Streets:

- Wood Street Reconstruction
- Crampton Drive Reconstruction
- Calkins Drive Resurfacing

Major Streets:

- West 8th Street/S. Roessler Resurfacing
- North Custer Resurfacing

Water System:

- Battlefield Water Main Reroute
- Huber Street Water Main
- West 7th Street Water Main

Major planned projects for fiscal 2007-2008:

- City Hall Carpet Replacement
- East First Street Resurfacing
- West 7th Street Resurfacing
- Cooper Street Reconstruction
- Michigan Street Reconstruction
- East Lorain – Maple to Michigan
- East Lorain – Michigan to dead end
- CSX Rail Underpass Study
- Water Distribution System Improvements
- Wastewater Plant Rehabilitation

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We have been advised that future certificates may not be awarded to the City of Monroe due to noncompliance with generally accepted accounting principles in the Port of Monroe financial statements. We are submitting it to the GFOA to determine its eligibility for another certificate.

Lastly, we wish to recognize the professional contributions and extra efforts of the entire Finance Staff throughout the year, particularly during the preparation of this report. The City's financial system and internal control structure has involvement from many departments. We also wish to recognize those departments for their contributions to maintaining the system with a high level of accuracy throughout the fiscal year. We also wish to thank the Mayor and City Council Members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully submitted,

George A. Brown
City Manager

Edward J. Sell Jr.
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe Michigan

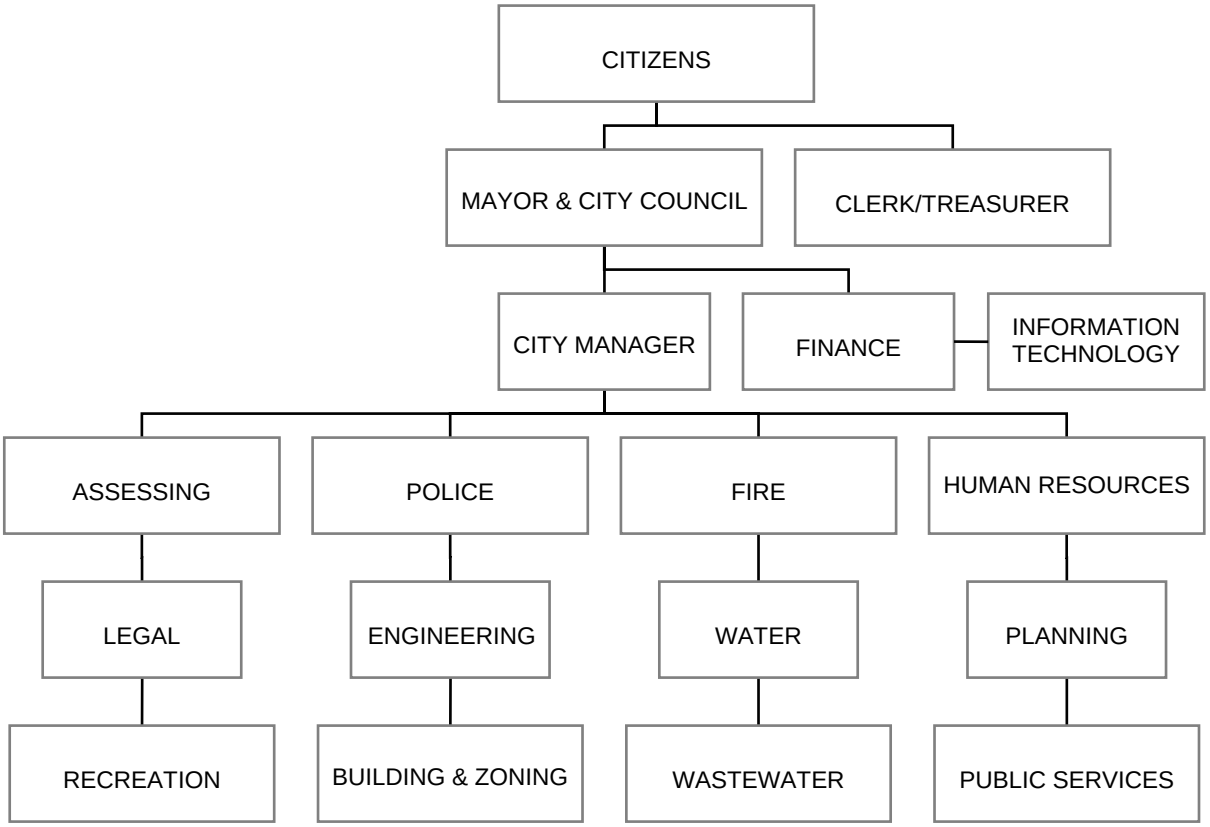
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

President

Executive Director

CITY OF MONROE ORGANIZATIONAL CHART



CITY OF MONROE, MICHIGAN

List of Principal Officials

Title	Name
Mayor	C.D. "Al" Cappuccilli
Council Members:	
First Precinct	Bill Burkett
Second Precinct	Edward F. Paisley
Third Precinct	Dorothy L. Edwards
Fourth Precinct	John R. Martin
Fifth Precinct	Linda J. Compora
Sixth Precinct	Brian P. Beneteau
City Clerk/Treasurer	Charles D. Evans
City Manager	George A. Brown
Police Chief	John B. Michrina
Fire Chief	William E. Bert
Finance Director	Edward J. Sell Jr.
Building Official	Joe Lehmann
Public Services Director	Scott H. Davidson
Director of Engineering and Planning	Patrick Lewis
Director of Water and Utilities	Barry LaRoy
Wastewater Director	Connie Ochs
Assessor	Samuel J. Guich
Acting Human Resources Director	Edward J. Sell Jr.
Corporation Counsel	Ready, Sullivan, Ready

Facts about Monroe

The City of Monroe is located in Monroe County in the far southeast portion of Michigan's Lower Peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 22,076 according to the 2000 Census.

Monroe is Michigan's third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director and assistant city attorney, who serve at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The council is responsible for all legislative matters including adoption of the City budget.

Financial Section

Plante & Moran, PLLC
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Independent Auditor's Report

To the City Council
City of Monroe, 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 Monroe, 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 of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of $5,332,834 at June 30, 2007 and total revenue of $1,578,181 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated August 8, 2007, disclaimed an opinion because of significant uncertainty related to environmental remediation.

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

In our opinion, except for the financial information related to the Port of Monroe (whose auditors disclaimed an opinion), the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan 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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the City Council
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund 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. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The General Fund budgetary comparison schedules and the combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress and employer contributions, 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

October 15, 2007

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

The shared sales tax portion of state-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately $24,600 to $2,114,941. The reduction was primarily due to sales tax collections by the State of Michigan being less than estimated in the state budget. This continued a trend in declines in state-shared revenue. State-shared revenue peaked in fiscal year 2001 at $2,780,435. In response to this reduction over the years, the City has reduced expenditures by not filling selected vacant positions, monitoring overtime, and delaying capital equipment expenditures.

- Fund balance for the General Fund increased $221,144 to $3,210,195. Included in fund balance at fiscal year end were items encumbered but not yet purchased. Those items will be funded from fund balance in fiscal year 2008, and they amounted to $181,431 at fiscal year end.
- Expenditures related to capital projects totaled $6.17 million.
- Total net assets related to the City's governmental activities decreased by approximately $1.0 million.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the citizens' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE 1

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	$ 33,619,095	$ 30,320,811	$ 10,734,239	$ 12,108,154	$ 44,353,334	$ 42,428,965
Equity in joint ventures	-	-	3,837,192	3,827,813	3,837,192	3,827,813
Capital assets	73,642,748	76,018,482	50,221,608	48,547,908	123,864,356	124,566,390
Total assets	107,261,843	106,339,293	64,793,039	64,483,875	172,054,882	170,823,168
Liabilities						
Current liabilities	21,496,655	20,439,038	2,249,521	1,768,136	23,746,176	22,207,174
Long-term liabilities	8,397,896	7,513,101	2,675,000	2,940,000	11,072,896	10,453,101
Total liabilities	29,894,551	27,952,139	4,924,521	4,708,136	34,819,072	32,660,275
Net Assets						
Invested in capital assets - Net of related debt	67,326,685	68,662,294	47,466,608	46,395,023	114,793,293	115,057,317
Restricted	1,517,780	1,620,483	-	-	1,517,780	1,620,483
Unrestricted	8,522,827	8,104,377	12,401,910	13,380,716	20,924,737	21,485,093
Total net assets	**$ 77,367,292**	**$ 78,387,154**	**$ 59,868,518**	**$ 59,775,739**	**$ 137,235,810**	**$ 138,162,893**

The City's combined net assets decreased by 0.6 percent from a year ago - decreasing from $138.1 million to $137.2 million. The decrease in net assets is due to expenditures increasing at a faster pace than revenues that are primarily flat and the use of unrestricted net assets to balance the budget in some cases. The reduction is also due to a decrease in the value of capital assets. This means that the City did not reinvest in its capital assets at the same level as which they were depreciating in value.

As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by $418,450 for governmental activities. This represents an increase of approximately 5.2 percent. The current level of unrestricted net assets for governmental activities stands at $8.5 million, or about 33.1 percent of expenditures.

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Net Assets - Beginning of year, as restated	$ 78,387,154	$ 80,883,329	$ 59,775,739	$ 59,417,853	$ 138,162,893	$ 140,301,182
Revenue						
Program revenue:						
Charges for services	3,931,292	4,056,058	11,034,166	10,334,930	14,965,458	14,390,988
Operating grants and contributions	2,389,324	2,088,844	-	-	2,389,324	2,088,844
Capital grants and contributions	5,036	3,188	268,370	885,144	273,406	888,332
General revenue:						
Property taxes	14,695,520	14,207,450	-	-	14,695,520	14,207,450
State-shared revenue	2,092,605	2,155,107	-	-	2,092,605	2,155,107
Unrestricted investment earnings	1,086,134	816,760	468,483	343,595	1,554,617	1,160,355
Franchise fees	244,743	224,351	-	-	244,743	224,351
Other revenue	231,642	180,123	-	18,861	231,642	198,984
Total revenue	24,676,296	23,731,881	11,771,019	11,582,530	36,447,315	35,314,411
Program Expenses						
General government	3,475,626	3,703,272	-	-	3,475,626	3,703,272
Public safety	10,557,003	10,167,563	-	-	10,557,003	10,167,563
Public works	8,073,568	8,991,478	-	-	8,073,568	8,991,478
Community development	1,056,860	913,348	-	-	1,056,860	913,348
Culture and recreation	2,299,055	2,336,309	-	-	2,299,055	2,336,309
Interest on long-term debt	290,567	268,285	-	-	290,567	268,285
Water and wastewater	-	-	11,621,719	11,072,445	11,621,719	11,072,445
Total program expenses	25,752,679	26,380,255	11,621,719	11,072,445	37,374,398	37,452,700
Excess (Deficiency)	(1,076,383)	(2,648,374)	149,300	510,085	(927,083)	(2,138,289)
Transfers	56,521	152,199	(56,521)	(152,199)	-	-
Change in Net Assets	(1,019,862)	(2,496,175)	92,779	357,886	(927,083)	(2,138,289)
Net Assets - End of year, as restated	**$ 77,367,292**	**$ 78,387,154**	**$ 59,868,518**	**$ 59,775,739**	**$ 137,235,810**	**$ 138,162,893**

The presentation of certain 2006 items has been reclassified to conform to their presentation in 2007.

Revenue for the City as a whole was up $1,132,904 (3.21 percent). Percentage changes from the prior year in the individual revenue categories were as follows:

Revenue Category	Total 2007	Total 2006	Change +/-	% Change
Charges for services	$ 14,965,458	$ 14,390,988	$ 574,470	3.99%
Operating grants and contributions	2,389,324	2,088,844	300,480	14.38%
Capital grants and contributions	273,406	888,332	(614,926)	-69.22%
Property taxes	14,695,520	14,207,450	488,070	3.44%
State-shared revenue	2,092,605	2,155,107	(62,502)	-2.90%
Unrestricted investment earnings	1,554,617	1,160,355	394,262	33.98%
Franchise fees	244,743	224,351	20,392	9.09%
Other revenue	231,642	198,984	32,658	16.41%
Total	$ 36,447,315	$ 35,314,411	$ 1,132,904	3.21%

Program expenses for the City as a whole decreased by $78,302 (0.21 percent). Program expenses decreased in the areas of general government ($227,646/6.15 percent), public works ($917,910/10.21 percent) and culture and recreation ($37,254/1.59 percent). Public safety expenses increased $389,440 (3.83 percent) with the primary reason for the increase being an increased City contribution for postretirement health care. Community development expenses increased $143,512 (15.71 percent) primarily due to cleanup expenses related to the River Raisin Battlefield. Water and wastewater expenses increased $549,274 (4.96 percent) with the primary reason for the increase being increases in depreciation, interest expense, and general operating costs.

The City's total governmental revenues increased by $944,415 (3.98 percent) due to increases in property tax revenue and increased investment earnings. Governmental program expenses decreased by $627,576 (2.38 percent) primarily due to reduced personnel costs from employment position eliminations. Both were considered to be in line with expectations.

Slower than predicted economic growth accounted for a reduction in state revenue sharing of $62,502 (2.90 percent). Due to a rising interest rate environment, investment income increased $269,374 (32.98 percent).

Business-type Activities

The City's business-type activities consist of the Water and Wastewater Funds. The City operates the LePage Raw Water Pump Station in partnership with Frenchtown Charter Township and sells water to surrounding communities. The City also provides wastewater treatment through a City-owned and operated sewage treatment plant. The City experienced an operating loss of $478,795 in the Water and Wastewater Funds. The loss was primarily due to flat water sales and a general increase in operating costs related to operating supplies and personnel cost.

The analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2007 include the General Fund, the Economic Development Fund, the Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately $9.643 million, or 51.5 percent of General Fund expenditures. The costs of these departments are generally funded by property tax revenue sources of the General Fund. The Economic Development Fund is a major fund for the first time this fiscal year. The fund accounts for seed financing related to development projects and grant or loan funded development projects that are coordinated with the Brownfield Redevelopment Authority. Grant payments receivable related to the demolition of buildings and cleanup of the site of the War of 1812 battlefield site off of East Elm Avenue were the primary reason for this fund becoming a major fund. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of $424,513, or 2.22 percent, below budget. Of this amount, $181,431 was encumbered at the fiscal year end and the budget amount will be transferred to the 2008 fiscal year. A report of the General Fund expenditures follows:

DEPARTMENT	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	DIFFERENCE
CITY COUNCIL	$ 157,940	$ 156,650	$ 125,137	$ 31,513
CITY MANAGER	448,793	448,928	442,380	6,548
CLERK-TREASURER	455,341	528,227	500,380	27,847
FINANCE	470,025	399,752	388,994	10,758
ASSESSOR	329,554	330,653	327,143	3,510
ATTORNEY	253,245	272,040	262,797	9,243
PERSONNEL	242,650	260,915	250,934	9,981
ENGINEERING	459,831	387,062	455,921	(68,859)
CITY HALL/GROUNDS	339,172	365,372	354,644	10,728
POLICE	5,330,591	5,276,907	5,054,500	222,407
FIRE	4,496,189	4,397,884	4,360,539	37,345
ZONING/ORDINANCE ENFORCEMENT	265,739	237,188	227,652	9,536
DEPARTMENT OF PUBLIC SERVICES	2,124,064	1,819,941	1,820,211	(270)
COMMUNITY DEVELOPMENT	290,005	282,925	281,662	1,263
HISTORIC DISTRICT COMMISSION	7,100	2,098	1,691	407
SOCIAL SERVICES	153,060	153,060	153,060	-
PUBLIC ACCESS TV	111,250	126,250	122,371	3,879
RECREATION	1,945,890	2,279,964	2,194,034	85,930
LIBRARY	65,000	65,000	65,000	-
INTEREST EXPENSE	-	42,888	42,888	-
CONTINGENCIES	147,000	7,030	-	7,030
TRANSFERS TO OTHER FUNDS	1,294,823	1,298,960	1,283,243	15,717
TOTAL	$ 19,387,262	$ 19,139,694	$ 18,715,181	$ 424,513

The original budget of $19,387,262 was decreased to $19,139,694 by fiscal year end. The decrease was primarily due to elimination of full-time employment positions that became vacant due to retirement or resignation. Some of the more significant budget variances were as follows:

- **Engineering** - Engineering was over budget by $68,859. The primary reason for the over budget amount was the fact that engineering labor costs estimated to be charged back to other city funds were less than estimated by $42,277. The remainder of the overage was related to increased overtime costs.

- **Police** - The Police Department was under budget by $222,407. This is somewhat deceiving as $144,209 in items was encumbered at fiscal year end. This made the true amount which the Police Department was under budget $78,198. The main areas where costs came in under budget were personnel cost ($8,824), operating supplies ($17,634), training and travel costs ($14,274), building rental ($20,726), and equipment rental ($5,745).

- **Recreation** - The recreation budget was under budget by $85,930. The Recreation Department consists of multiple activities which were under budget as follows:

Parks and Recreation Administration	$ 4,273
Parks and Playground Maintenance	31,144
Multi-Sports Complex	20,307
Parks and Recreation Programs	29,106

- **Parks and Playground Maintenance** - Parks and playground maintenance was under budget due to the elimination of one full-time position during the year. The Multi-Sports Complex was under budget due to an effort to reduce overall operating costs. The Parks and Recreation Programs budget was under budget due to reduced personnel cost and reduced supplies costs.

Revenue came in under budget by $129,949, or 0.68 percent. This decrease was primarily due to recreation charges for services being received in amounts less than what was budgeted. The amended budget estimated a reduction in fund balance to $2,915,631. The actual fund balance increased by $221,144 to $3,210,195. Of that increase, $181,431 will be spent on encumbered items making the amount of the Fund Balance increase available for appropriation $39,713.

Capital Asset and Debt Administration

At the end of 2007, the City had net capital assets of $123,863,276 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt related to those capital assets amounted to $9,071,063, net of restricted assets consisting of cash from unspent installment purchase agreement proceeds of $391,050. Capital projects completed or in progress during fiscal year 2007 include continuation of the sidewalk replacement program, repaving of portions of West Eighth Street, North Custer Avenue, East 1st Street, and Wood Street, continued planning for the next phase of rail consolidation, replacement of a fire truck, demolition and cleanup of the River Raisin Battlefield, continued sanitary sewer rehabilitation, a facility rehabilitation for the Wastewater Treatment Plant, replacement of various water mains, and many others.

The City entered into two installment purchase agreements during the fiscal year in the amount of $606,910. They were done for the purpose of purchasing a fire pumper truck ($167,510) and replacing the roof and HVAC equipment at city hall ($439,400). No new bonded debt was issued. The City is pursuing debt issues through State of Michigan financing programs for improvements to the water and wastewater systems. The City is currently using 9.93 percent of its legal debt margin of $111.3 million. Debt service makes up 1.756 percent of our total general governmental expenditures. Bonded debt and other long-term obligations were increased by $709,687 primarily due to the installment purchase agreements previously explained and an $800,000 loan from the State of Michigan for cleanup of the Mason Run brownfield site.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

Other Significant Matters

The unemployment rate in the Monroe County region has worsened over the last fiscal year, but it continues to compare favorably against the state of Michigan average, as can be seen in the following table:

	County	Michigan
6/30/2007	6.50%	7.40%
6/30/2006	5.90%	6.50%
6/30/2005	5.90%	6.90%
6/30/2004	6.90%	7.30%

The closure of an automotive industry supplier in calendar year 2008 which is the City's largest employer will have a significant impact on the economy and finances of the City. The facility currently generates approximately $690,000 in property tax revenue for the City's General Fund budget.

The City's fiscal year 2007-2008 General Fund budget increased at a rate higher than inflation compared to the 2006-2007 budget primarily due to increased pension funding costs. The adopted revenue and expenditures for each fiscal year's budget are as follows:

	Originally Adopted General Fund Budget Totals		
	6/30/2008	6/30/2007	Increase
Revenue	$ 20,501,832	$ 19,387,262	5.75%
Expenditures	20,501,832	19,387,262	5.75%

The 2008 budget included a transfer from the City's Budget Stabilization Fund in the amount of $200,000. It also includes a transfer from the Capital Project Fund in the amount of $606,910. Both transfers will fund current operating costs. The Capital Project Funds were previously set aside to fund a fire truck and improvements at city hall. Those projects were financed instead and the funds set aside were used to balance the budget. The City will attempt to reduce the amount of these transfers with budget reductions throughout the 2008 fiscal year. The City will also attempt to increase the amount that is funded from the General Fund for capital improvement purposes. The amount funded for fiscal year 2008 is $343,600 and the City's goal would be to increase that amount to at least $900,000.

Due to the impact of Proposal A, however, the City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Some properties increase in value by less than inflation, resulting in the total taxable value for the City growing by less than the rate of inflation, before considering new property additions. Taxable value increased 3.27 percent for the 2008 fiscal year.

In addition to the revenue constraints, the City's pension contribution obligation will remain at its 2007 level in fiscal year 2008. The contribution required for fiscal year 2007 was $487,016 and prior fiscal years were zero. The contribution increased to $1,444,879 in fiscal year 2008. It will remain at $1,439,268 in fiscal year 2009. The contribution is related primarily to the police and fire groups, and it will have a substantial impact on the General Fund's budget. The combination of healthcare costs, increases in pension funding, and funding of future retiree healthcare liabilities have all significantly contributed to the structural deficit that exists in the City's General Fund budget.

A city-wide operational assessment was completed by a consultant during fiscal year 2007. The goal of the operational assessment was to point out areas where the City could operate more efficiently to help reduce costs in all areas of city government. The report has been presented, and an implementation plan is being developed. If all of the recommendations were implemented, the General Fund expenditure budget would be reduced by an estimated $1.4 million. The City feels that it needs to reduce the General Fund budget by $2.5 million by the end of fiscal year 2009.

The Mason Run development will continue due to additional low-interest loans and grants received to continue the environmental remediation at the site. Additional development will be slow due to the declining housing market, but the environmental cleanup of the site will continue. Loans and a grant will also continue to fund environmental work and building demolitions at the former River Raisin Battlefield site.

With a rising interest rate environment, investment income has rebounded with average yields now exceeding 5 percent. The Federal Reserve has begun to reduce short-term interest rates which will begin to reduce investment interest rates. Continued softness in the Michigan economy will continue to put pressure on state revenue sharing.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the finance department.

City of Monroe, Michigan

Government-wide Statement of Net Assets
June 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	$ 14,045,729	$ 2,713,291	$ 16,759,020	$ 892,003
Investments (Note 3)	12,301,433	3,406,587	15,708,020	260,000
Receivables - Net:				
Taxes	2,117,699	12,025	2,129,724	36,103
Customers	132,577	2,025,751	2,158,328	7,039
Special assessments	148,815	79,141	227,956	-
Accrued interest	87,265	22,411	109,676	5,132
Economic development loans	606,768	-	606,768	-
Other	403,845	14,325	418,170	2,502
Due from other governmental units	1,704,394	155,220	1,859,614	360,023
Due from component units (Note 6)	407,443	947,116	1,354,559	-
Internal balances (Note 6)	(938,850)	938,850	-	-
Inventories	2,240,298	419,522	2,659,820	-
Prepaid costs and other assets	361,679	-	361,679	26,743
Equity in joint ventures (Note 11)	-	3,837,192	3,837,192	-
Restricted assets	-	-	-	20,392
Nondepreciable capital assets (Note 5)	3,037,358	367,931	3,405,289	-
Depreciable capital assets - Net (Note 5)	70,605,390	49,853,677	120,459,067	4,826,280
Total assets	107,261,843	64,793,039	172,054,882	6,436,217
Liabilities				
Accounts payable	1,816,337	1,104,222	2,920,559	336,839
Accrued and other liabilities	2,666,380	496,948	3,163,328	2,823
Due to other governmental units	-	83,195	83,195	-
Due to primary government (Note 6)	-	-	-	1,354,559
Unearned revenue (Note 4)	16,306,880	485,156	16,792,036	420,737
Noncurrent liabilities (Note 7):				
Due within one year	546,399	80,000	626,399	20,000
Due in more than one year	7,755,260	2,675,000	10,430,260	505,062
Compensated absences:				
Due within one year	160,659	-	160,659	-
Due in more than one year	642,636	-	642,636	-
Total liabilities	29,894,551	4,924,521	34,819,072	2,640,020
Net Assets				
Invested in capital assets - Net of related debt	67,326,685	47,466,608	114,793,293	4,599,648
Restricted:				
Streets and highways	1,251,581	-	1,251,581	-
Rubbish and recycling	53,415	-	53,415	-
Building code activities	749	-	749	-
Grants	134,876	-	134,876	-
Drug forfeitures	77,159	-	77,159	-
Other	-	-	-	20,392
Unrestricted	8,522,827	12,401,910	20,924,737	(823,843)
Total net assets	**$ 77,367,292**	**$ 59,868,518**	**$ 137,235,810**	**$ 3,796,197**

The Notes to Financial Statements are an Integral Part of this Statement.

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	$ 3,475,626	$ 144,448	$ -	$ -
Public safety	10,557,003	1,251,333	11,208	-
Public works	8,073,568	657,196	1,810,116	5,036
Community development	1,056,860	902,972	568,000	-
Culture and recreation	2,299,055	975,343	-	-
Interest on long-term debt	290,567	-	-	-
Total governmental activities	25,752,679	3,931,292	2,389,324	5,036
Business-type activities:				
Water	5,772,384	4,954,923	-	268,370
Wastewater	5,849,335	6,079,243	-	-
Total business-type activities	11,621,719	11,034,166	-	268,370
Total primary government	**$ 37,374,398**	**$ 14,965,458**	**$ 2,389,324**	**$ 273,406**
Component units:				
Port of Monroe	$ 555,956	$ 179,403	$ 988,023	$ -
Downtown Development Authority	151,436	-	-	-
Brownfield Redevelopment Authority	1,054,757	-	-	-
Total component units	**$ 1,762,149**	**$ 179,403**	**$ 988,023**	**$ -**
General revenues:				
Property taxes:				
Operating				
Refuse				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of capital assets				
Other				
Unrestricted transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year, as restated (Note 13)				
Net Assets - End of year				

The Notes to Financial Statements are an Integral Part of this Statement.

Government-wide Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (3,331,178)	$ -	$ (3,331,178)	$ -
(9,294,462)	-	(9,294,462)	-
(5,601,220)	-	(5,601,220)	-
414,112	-	414,112	-
(1,323,712)	-	(1,323,712)	-
(290,567)	-	(290,567)	-
(19,427,027)	-	(19,427,027)	-
-	(549,091)	(549,091)	-
-	229,908	229,908	-
-	(319,183)	(319,183)	-
(19,427,027)	(319,183)	(19,746,210)	-
-	-	-	611,470
-	-	-	(151,436)
-	-	-	(1,054,757)
-	-	-	(594,723)
13,453,737	-	13,453,737	1,483,407
1,241,783	-	1,241,783	-
2,092,605	-	2,092,605	-
1,086,134	468,483	1,554,617	81,198
244,743	-	244,743	-
10,423	-	10,423	-
221,219	-	221,219	-
56,521	(56,521)	-	-
18,407,165	411,962	18,819,127	1,564,605
(1,019,862)	92,779	(927,083)	969,882
78,387,154	59,775,739	138,162,893	2,826,315
$ 77,367,292	**$ 59,868,518**	**$ 137,235,810**	**$ 3,796,197**

City of Monroe, Michigan

Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Economic Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 9,203,017	$ 1,207,762	$ 2,482,509	$ 12,893,288
Investments	5,267,381	-	4,642,052	9,909,433
Receivables:				
Taxes	1,940,528	-	177,171	2,117,699
Customers	120,798	-	11,779	132,577
Special assessments	-	-	148,815	148,815
Accrued interest	26,000	1,188	25,674	52,862
Economic develoment loans	-	530,023	76,745	606,768
Other	147,767	-	107,762	255,529
Prepaid expenditures and other assets	22,681	-	32,113	54,794
Due from other governmental units	7,285	654,640	669,858	1,331,783
Due from other funds (Note 6)	26,310	-	419,184	445,494
Advances to component units (Note 6)	-	407,425	-	407,425
Real estate inventories	2,206,830	-	-	2,206,830
Total assets	**$ 18,968,597**	**$ 2,801,038**	**$ 8,793,662**	**$ 30,563,297**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 307,471	$ 623,111	$ 464,389	$ 1,394,971
Accrued and other liabilities	334,112	-	9,744	343,856
Deferred revenue (Note 4)	14,298,158	1,568,000	1,652,500	17,518,658
Due to other funds (Note 6)	3,303	-	445,622	448,925
Advances from other funds (Note 6)	815,358	-	-	815,358
Total liabilities	15,758,402	2,191,111	2,572,255	20,521,768
Fund Balances				
Reserved:				
Prepaid expenditures	22,681	-	-	22,681
Real estate inventories net of related advances	1,391,472	-	-	1,391,472
Unspent loan proceeds	-	800,000	391,050	1,191,050
Unreserved, reported in:				
General Fund	1,796,042	-	-	1,796,042
Special Revenue Funds	-	(190,073)	3,726,958	3,536,885
Debt Service Funds	-	-	180,748	180,748
Capital Projects Fund	-	-	1,922,651	1,922,651
Total fund balances	3,210,195	609,927	6,221,407	10,041,529
Total liabilities and fund balances	**$ 18,968,597**	**$ 2,801,038**	**$ 8,793,662**	**$ 30,563,297**
Fund Balance - Total Govermental Funds				$ 10,041,529
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				73,642,748
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures				643,778
State revenue-sharing payments received over 60 days after year end are not reported in the funds				372,611
State grant payments received over 60 days after year end are not reported in the funds				568,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(9,104,954)
Accrued interest is not recorded in the funds				(57,146)
Portions of the Internal Service Funds are included as part of governmental activities net of capital and long-term debt				1,260,726
Net assets of governmental activities				**$ 77,367,292**

The Notes to Financial Statements are an Integral Part of this Statement.

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

	General Fund	Economic Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	$ 13,385,490	$ -	$ 1,241,783	$ 14,627,273
Licenses and permits	323,865	-	312,992	636,857
Federal grants	405	55,086	1,202,552	1,258,043
State-shared revenues and grants	2,216,586	161,644	1,477,171	3,855,401
Charges for services	2,093,619	-	339,196	2,432,815
Fines and forfeitures	104,389	-	-	104,389
Interest	643,275	37,569	236,396	917,240
Special assessment	-	-	67,846	67,846
Rent	67,219	-	525,250	592,469
Other	91,477	68,601	197,376	357,454
Total revenue	18,926,325	322,900	5,600,562	24,849,787
Expenditures				
Current:				
General government	3,524,862	-	-	3,524,862
Public safety	9,642,691	-	115,627	9,758,318
Public works	1,820,211	785,184	4,806,559	7,411,954
Community development	281,662	-	70,515	352,177
Culture and recreation	2,536,156	-	-	2,536,156
Capital outlay	-	-	808,054	808,054
Debt service	42,888	-	482,991	525,879
Total expenditures	17,848,470	785,184	6,283,746	24,917,400
Excess of Revenue Over (Under) Expenditures	1,077,855	(462,284)	(683,184)	(67,613)
Other Financing Sources (Uses)				
Transfers in	10,000	-	1,733,876	1,743,876
Transfers out	(866,711)	(27,360)	(972,360)	(1,866,431)
Proceeds from issuance of long-term debt	-	800,000	606,910	1,406,910
Total other financing sources (uses)	(856,711)	772,640	1,368,426	1,284,355
Net Change in Fund Balances	221,144	310,356	685,242	1,216,742
Fund Balances - Beginning of year	2,989,051	299,571	5,536,165	8,824,787
Fund Balances - End of year	**$ 3,210,195**	**$ 609,927**	**$ 6,221,407**	**$ 10,041,529**

The Notes to Financial Statements are an Integral Part of this Statement.

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	$	1,216,742
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(4,875,260)
Capital outlay expenditures		2,499,526
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		5,952
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (GASB No. 33)		599,157
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		461,439
Bond and loan proceeds are not reported as financing sources on the statement of activities		(1,406,910)
Interest is recorded as it accrues in the statement of activities		(708)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities		(29,216)
Portions of the Internal Service Funds are also included as governmental activities		509,416
Change in Net Assets of Governmental Activities	**$**	**(1,019,862)**

The Notes to Financial Statements are an Integral Part of this Statement.

Proprietary Funds
Statement of Fund Net Assets
June 30, 2007

	Enterprise Funds				
	Major Funds		Building Authority -		Internal
	Wastewater	Water	Nonmajor Fund	Totals	Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 1,540,557	$ 1,172,242	$ 492	$ 2,713,291	$ 1,152,441
Investments	1,898,339	960,248	548,000	3,406,587	2,392,000
Receivables:					
Taxes	7,425	4,600	-	12,025	-
Customers	1,132,520	893,231	-	2,025,751	-
Special assessment	-	79,141	-	79,141	-
Interest	12,864	4,900	4,647	22,411	34,403
Other	-	14,325	-	14,325	148,316
Due from other governmental units	155,220	-	-	155,220	-
Due from other funds (Note 6)	-	-	-	-	60,588
Due from component units (Note 6)	-	-	-	-	18
Advances to other funds (Note 6)	-	815,358	-	815,358	-
Advances to component units (Note 6)	-	947,116	-	947,116	-
Inventories	-	419,522	-	419,522	33,468
Prepaid costs and other assets	-	-	-	-	306,885
Total current assets	4,746,925	5,310,683	553,139	10,610,747	4,128,119
Noncurrent assets:					
Equity in joint ventures	-	3,837,192	-	3,837,192	-
Capital assets (Note 5)	16,229,235	33,638,082	354,291	50,221,608	1,331,456
Total noncurrent assets	16,229,235	37,475,274	354,291	54,058,800	1,331,456
Total assets	20,976,160	42,785,957	907,430	64,669,547	5,459,575
Liabilities					
Current liabilities:					
Accounts payable	377,132	727,057	33	1,104,222	421,366
Accrued and other liabilities	204,713	292,235	-	496,948	2,265,378
Due to other funds (Note 6)	526	626	-	1,152	56,005
Due to other governmental units	-	83,195	-	83,195	-
Deferred revenue (Note 4)	-	-	485,156	485,156	-
Current portion of long-term debt (Note 7)	-	80,000	-	80,000	37,022
Total current liabilities	582,371	1,183,113	485,189	2,250,673	2,779,771
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	-	2,675,000	-	2,675,000	36,556
Total liabilities	582,371	3,858,113	485,189	4,925,673	2,816,327
Net Assets					
Investment in capital assets - Net of related debt	16,229,235	30,883,082	354,291	47,466,608	1,257,878
Unrestricted (Note 2)	4,164,554	8,044,762	67,950	12,277,266	1,385,370
Total net assets	**$ 20,393,789**	**$ 38,927,844**	**$ 422,241**	59,743,874	**$ 2,643,248**
A portion of the Internal Service Fund net assets has been attributed to business-type activities				124,644	
Net assets of business-type activities				**$ 59,868,518**	

The Notes to Financial Statements are an Integral Part of this Statement.

City of Monroe, Michigan

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

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund		Internal Service Funds
	Wastewater	Water		Totals	
Operating Revenue					
Sale of water	$ -	$ 4,329,341	$ -	$ 4,329,341	$ -
Sewage disposal charges	5,410,911	-	-	5,410,911	-
State grants	434,811	-	-	434,811	-
Charges to other funds	-	-	-	-	4,550,005
Other charges for services	233,521	616,204	-	849,725	73,742
Total operating revenue	6,079,243	4,945,545	-	11,024,788	4,623,747
Operating Expenses					
Operations and maintenance	1,390,683	892,249	-	2,282,932	4,394,198
Direct cost of providing service	3,444,367	3,777,863	-	7,222,230	-
Depreciation	1,016,449	980,892	-	1,997,341	192,744
Total operating expenses	5,851,499	5,651,004	-	11,502,503	4,586,942
Operating Income (Loss)	227,744	(705,459)	-	(477,715)	36,805
Nonoperating Revenue (Expenses)					
Gain on sale of assets	-	-	-	-	38,909
Investment income	167,626	272,076	28,781	468,483	164,109
Interest expense	-	(123,570)	-	(123,570)	(9,755)
Net income from equity in joint ventures	-	9,378	-	9,378	-
Total nonoperating revenue	167,626	157,884	28,781	354,291	193,263
Income (Loss) - Before capital contributions	395,370	(547,575)	28,781	(123,424)	230,068
Capital Contributions	-	268,370	-	268,370	-
Transfers					
Transfers from other funds	-	-	-	-	279,901
Transfers to other funds	(32,789)	(23,732)	-	(56,521)	(100,825)
Total transfers	(32,789)	(23,732)	-	(56,521)	179,076
Change in Net Assets	362,581	(302,937)	28,781	88,425	409,144
Net Assets - Beginning of year, as restated (Note 13)	20,031,208	39,230,781	393,460	59,655,449	2,234,104
Net Assets - End of year	**$ 20,393,789**	**$ 38,927,844**	**$ 422,241**	**$ 59,743,874**	**$ 2,643,248**
Change in Net Assets - Enterprise Funds				$ 88,425	
A portion of Internal Service Fund activity has been attributed to business-type activities				4,354	
Change in Net Assets of Business-type Activities				**$ 92,779**	

The Notes to Financial Statements are an Integral Part of this Statement.

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

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund		Internal Service Funds
	Wastewater	Water		Totals	
Cash Flows from Operating Activities					
Receipts from customers	$ 5,084,392	$ 4,282,443	$ -	$ 9,366,835	$ 4,485,236
Payments to suppliers	(2,223,356)	(1,660,403)	29	(3,883,730)	(3,226,121)
Payments to employees for wages and benefits	(2,368,191)	(2,618,237)	-	(4,986,428)	(882,827)
Other receipts	668,332	616,204	-	1,284,536	73,742
Net cash provided by operating activities	1,161,177	620,007	29	1,781,213	450,030
Cash Flows from Noncapital Financing Activities -					
Transfers in (out)	(32,789)	(23,733)	-	(56,522)	179,076
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(1,074,928)	(2,327,743)	-	(3,402,671)	(53,422)
Proceeds from sale of capital assets	-	-	-	-	38,909
Principal and interest paid on capital debt	-	(388,570)	-	(388,570)	(44,451)
Net cash used in capital and related financing activities	(1,074,928)	(2,716,313)	-	(3,791,241)	(58,964)
Cash Flows from Investing Activities					
Interest received on investments	177,004	285,868	27,884	490,756	146,913
Purchase of investment securities	-	-	(28,000)	(28,000)	(377,000)
Proceeds from sale and maturities of investment securities	937,846	1,899,786	-	2,837,632	28,104
Net cash provided by (used in) investing activities	1,114,850	2,185,654	(116)	3,300,388	(201,983)
Net Increase (Decrease) in Cash and Cash Equivalents	1,168,310	65,615	(87)	1,233,838	368,159
Cash and Cash Equivalents - Beginning of year	372,247	1,106,627	579	1,479,453	784,282
Cash and Cash Equivalents - End of year	**$ 1,540,557**	**$ 1,172,242**	**$ 492**	**$ 2,713,291**	**$ 1,152,441**

The Notes to Financial Statements are an Integral Part of this Statement.

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

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	$ 227,744	$ (705,459)	$ -	$ (477,715)	$ 36,805
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,016,449	980,892	-	1,997,341	192,744
Changes in assets and liabilities:		-			
Receivables	(171,299)	(167,100)	-	(338,399)	(113,412)
Prepaids	-	149	-	149	6,456
Due from other governmental units	(155,220)	-	-	(155,220)	-
Due from other funds	-	-	-	-	48,643
Due from component units	-	120,202	-	120,202	(18)
Inventories	-	153,115	-	153,115	(796)
Accounts payable	232,436	229,554	29	462,019	323,402
Due to other funds	146	(15,114)	-	(14,968)	(49,963)
Accrued and other liabilities	10,921	23,768	-	34,689	6,169
Net cash provided by operating activities	**$ 1,161,177**	**$ 620,007**	**$ 29**	**$ 1,781,213**	**$ 450,030**

Noncash Activity - As discussed in Note 13, net assets of the Water Fund were restated in the current year. As part of this adjustment, fixed assets were increased by $4,104,404. During the current year, $268,370 of contributed water lines were also recorded as fixed asset additions.

Fiduciary Funds
Statement of Net Assets
June 30, 2007

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust - Cemetery	Agency Funds
Assets			
Cash and cash equivalents (Note 3)	$ 846,843	$ 27,931	$ 8,529,170
Investments:			
U.S. government securities	28,902,792	43,681	-
Stocks	68,341,283	190,952	-
Bonds	21,667,328	6,934	-
Mutual funds	19,093,656	54,543	-
Other investments	1,779,149	1,248	-
Securities lending short-term collateral	18,682,695	-	-
Receivables - Accrued interest	540,743	7,757	-
Other assets	48,335	-	4,005,689
Total assets	159,902,824	333,046	**$ 12,534,859**
Liabilities			
Accounts payable	-	4,037	$ 76,479
Accrued and other liabilities	203,632	-	7,304
Due to other governmental units	-	-	12,451,076
Amounts due to broker under securities lending agreement	18,682,695	-	-
Total liabilities	18,886,327	4,037	**$ 12,534,859**
Net Assets - Held in trust for pension, other employee benefits, and cemetery purposes	**$ 141,016,497**	**$ 329,009**	

The Notes to Financial Statements are an Integral Part of this Statement.

Fiduciary Funds
Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds and Private Purpose Trust Fund
Year Ended June 30, 2007

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
Additions		
Investment income:		
Interest and dividends	$ 3,972,933	$ 41,084
Net increase in fair value of investments	14,816,860	-
Less investment expenses	(816,484)	-
Net investment income	17,973,309	41,084
Securities lending income:		
Interest and fees	1,005,922	-
Less borrower rebates and bank fees	(973,091)	-
Net securities lending income	32,831	-
Contributions:		
Employer	2,894,774	-
Employee	625,754	-
General Fund contribution	-	21,200
Charges for services	-	31,840
Total contributions	3,520,528	53,040
Total additions	21,526,668	94,124
Deductions		
Benefit payments	6,888,671	-
Refunds of contributions	49,980	-
Administrative expenses	76,812	52,652
Total deductions	7,015,463	52,652
Net Increase	14,511,205	41,472
Net Assets Held in Trust		
Beginning of year	126,505,292	287,537
End of year	**$ 141,016,497**	**$ 329,009**

The Notes to Financial Statements are an Integral Part of this Statement.

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

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Current Assets				
Cash and cash equivalents	$ 56,254	$ 191,782	$ 643,967	$ 892,003
Investments	-	173,000	87,000	260,000
Receivables:				
Taxes	36,103	-	-	36,103
Customers	7,039	-	-	7,039
Due from other governmental units	360,023	-	-	360,023
Accrued interest receivable	-	2,396	2,736	5,132
Prepaid expenses and other assets	26,743	2,502	-	29,245
Total current assets	486,162	369,680	733,703	1,589,545
Long-term Assets				
Capital assets	4,826,280	-	-	4,826,280
Restricted assets	20,392	-	-	20,392
Total long-term assets	4,846,672	-	-	4,846,672
Total assets	5,332,834	369,680	733,703	6,436,217
Current Liabilities				
Accounts payable	66,889	12,108	257,842	336,839
Accrued expenses	1,254	1,569	-	2,823
Due to primary government (Note 6)	-	18	-	18
Deferred revenue	420,737	-	-	420,737
Current portion of advances payable to primary government (Note 6)	-	-	183,276	183,276
Current portion of long-term debt	20,000	-	-	20,000
Total current liabilities	508,880	13,695	441,118	963,693
Noncurrent Liabilities				
Advances payable to primary government - Net of current portion (Note 6)	-	-	1,171,265	1,171,265
Long-term debt - Net of current portion	40,000	-	-	40,000
Contract payable	165,062	-	-	165,062
Environmental liabilities	300,000	-	-	300,000
Total noncurrent liabilities	505,062	-	1,171,265	1,676,327
Total liabilities	1,013,942	13,695	1,612,383	2,640,020
Net Assets (Deficit)				
Investment in capital assets - Net of related debt	4,599,648	-	-	4,599,648
Restricted - Environmental trust	20,392	-	-	20,392
Unrestricted	(301,148)	355,985	(878,680)	(823,843)
Total net assets (deficit)	**$ 4,318,892**	**$ 355,985**	**$ (878,680)**	**$ 3,796,197**

The Notes to Financial Statements are an Integral Part of this Statement.

		Program Revenues	
	Expenses	Charges for Services	Operating Grants/ Contributions
Governmental activities:			
Downtown Development Authority - Public Works	$ 151,436	$ -	$ -
Brownfield Redevelopment Authority - Public Works	1,054,757	-	-
Total governmental activities	**$ 1,206,193**	**$ -**	**$ -**
Business-type activities - Port of Monroe Public Works	**$ 555,956**	**$ 179,403**	**$ 988,023**
General revenues:			
Interest			
Property taxes			
Total general revenues			
Change in Net Assets (Deficit)			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

The Notes to Financial Statements are an Integral Part of this Statement.

Component Units
Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
$ -	$ (151,436)	$ -	$ (151,436)
-	-	(1,054,757)	(1,054,757)
-	(151,436)	(1,054,757)	(1,206,193)
611,470	-	-	611,470
11,988	25,044	44,166	81,198
398,767	194,838	889,802	1,483,407
410,755	219,882	933,968	1,564,605
1,022,225	68,446	(120,789)	969,882
3,296,667	287,539	(757,891)	2,826,315
$ 4,318,892	**$ 355,985**	**$ (878,680)**	**$ 3,796,197**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Monroe, 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 Monroe, Michigan:

Reporting Entity

The City of Monroe, 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. Although blended component units are legal separate entities, in substance, they are part of the City's operations. 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 (see discussion below for description).

Blended Component Units

The City Building Authority is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body is selected by the mayor and subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

Note 1 - Summary of Significant Accounting Policies (Continued)

b. The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Port Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 11.

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 City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 proprietary fund and fiduciary fund financial statements, excluding Agency Fund financial statements, which have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. 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.

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 services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 not to apply private sector standards issued after November 30, 1989.

Fund Descriptions

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.

Economic Development Fund - The Economic Development Fund accounts for economic development activities within the City.

The City reports the following major proprietary funds:

Water Fund - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and remain property of those townships.

Wastewater Fund - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, improvements, and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for stores and equipment purchases, as well as technology purchases. In addition, the Internal Service Funds account for risk management related to health care, workers' compensation, and general liabilities.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

Private Purpose Trust Fund (Cemetery Fund) - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

Agency Fund - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

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 three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - Outstanding balances between funds are reported as "due 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 receivables are shown net of allowance for uncollectible amounts.

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2007. The 2006 taxable valuation of the City totaled $946,518,470, on which ad valorem taxes levied consisted of 13.639 mills for the City's operating purposes and 1.315 mills for refuse. The ad valorem taxes raised $12,486,000 for operations and $1,205,000 for refuse. These amounts are recognized in the General Fund and Rubbish, Garbage, and Recycling Fund, respectively, as tax revenue.

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.

Real Estate Inventory - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets purchased prior to the implementation of GASB No. 34 (July 1, 2002) are included in capital assets.

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

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	40 to 75 years
Buildings and improvements	40 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 7 years

Note 1 - Summary of Significant Accounting Policies (Continued)

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. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires. 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 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. Issuance costs are reported as debt service expenditures.

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.

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 reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations, except for items encumbered at fiscal year end and capital project budgets, lapse at fiscal year end.

The City adopts formal budgets for the General Fund, all Special Revenue Funds, the Debt Service Funds, and the Capital Projects Fund. Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Council is the department level. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 was $936,996 for all funds. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that operating transfers and debt proceeds have been reflected as revenue and expenditures rather than as "other financing sources and uses" and that the Debt Service Fund budgets reimbursements from third parties as revenue rather than as a reduction of expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Monroe incurred expenditures that were in excess of the amounts budgeted for the following department:

	Budget	Actual
General Fund - Engineering Department	$ 387,062	$ 455,918

The Engineering Department exceeded budgeted expenditures due to lower than anticipated charges to other funds, which offset expenditures.

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund and Economic Development Fund (major funds) and in the other supplemental information for nonmajor funds that adopt budgets.

Fund Deficits - For the year ended June 30, 2007, the Brownfield Redevelopment Authority Fund has a fund deficit on a full accrual basis of $878,680. This deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase.

Net Assets of Internal Service Funds - Certain net assets of Internal Service Funds have been designated by management for the following purposes:

Insurance	$553,227
Employee benefits	464,255

It is management's intention to use the net assets to pay future claims and insurance premiums.

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 14 banks for the deposit of its funds. The City's investment policy, adopted in accordance with state law, has authorized investment in bank accounts and CDs, as well as investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of $1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Pension Trust Fund (the "Retirement System") is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed $250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. In addition, the City has adopted Public Act 149 of 1999, which created a trust which allows the Retiree Health Care Fund to also invest in assets in accordance with P.A. 314 of 1965.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2007, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 3 - Deposits and Investments (Continued)

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2007 was 133 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2007, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2007 were $18,682,695 and $18,193,436, respectively.

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 $22,010,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. 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 City has deposits of $4,991,545 that are uninsured but collateralized with securities held by the pledging financial institution's agent but not in the depositor-government's name.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

		Investment Maturities		
Investment	Fair Value	0-5 Years	5-15 Years	Over 15 Years
U.S. government or agency bond or note	$ 32,370,491	$ 14,701,135	$ 12,920,386	$ 4,748,970
Corporate bonds	21,674,262	11,778,819	5,644,839	4,250,604

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 Organization	Rating
Bank investment pool	$ 9,089,559	Fitch	AAA/V1
Corporate bonds	6,934	Moody's	BA1
Corporate bonds	1,338,087	S&P	A
Corporate bonds	6,216,677	S&P	AAA
Corporate bonds	1,222,830	S&P	AA+
Corporate bonds	2,535,439	S&P	BBB
Corporate bonds	2,146,334	S&P	A-
Corporate bonds	2,080,956	S&P	A+
Corporate bonds	1,389,034	S&P	AA
Corporate bonds	1,873,630	S&P	AA-
Corporate bonds	1,064,421	S&P	BBB-
Corporate bonds	1,581,217	S&P	BBB+
Corporate bonds	218,704	N/A	N/R

Note 4 - Deferred Revenue

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. Revenue recognition is deferred in connection with resources that have been received but not yet earned in the governmental funds, the proprietary funds, and on the government-wide statements. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental		Business-type
	Unavailable	Unearned	Unearned
Economic development loans	$ -	$ 38,769	$ -
Unspent grant proceeds	-	-	485,156
Property taxes for subsequent year's operations	-	15,268,111	-
Revolving loan	-	1,000,000	-
Grants receivable	568,000	-	-
Special assessments and delinquent property taxes	643,778	-	-
Total deferred revenue	$ 1,211,778	$ 16,306,880	$ 485,156

Note 5 - Capital Assets

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

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	$ 3,037,358	$ -	$ -	$ 3,037,358
Capital assets being depreciated:				
Roads and sidewalks	110,753,221	1,587,082	-	112,340,303
Buildings and improvements	13,388,852	605,652	-	13,994,504
Land improvements	2,412,156	22,009	-	2,434,165
Equipment	7,541,428	284,783	(298,235)	7,527,976
Subtotal	134,095,657	2,499,526	(298,235)	136,296,948
Accumulated depreciation:				
Roads and sidewalks	51,516,174	3,722,098	-	55,238,272
Buildings and improvements	4,399,177	298,709	-	4,697,886
Land improvements	548,853	112,727	-	661,580
Equipment	4,650,329	741,726	(298,235)	5,093,820
Subtotal	61,114,533	4,875,260	(298,235)	65,691,558
Net capital assets being depreciated	72,981,124	(2,375,734)	-	70,605,390
Net capital assets	$ 76,018,482	$ (2,375,734)	$ -	$ 73,642,748

Note 5 - Capital Assets (Continued)

	Balance July 1, 2006 (as adjusted)	Additions	Disposals	Balance June 30, 2007
Business-type Activities				
Capital assets not being depreciated -				
Land	$ 367,931	$ -	$ -	$ 367,931
Capital assets being depreciated:				
Water and sewer distribution systems	43,809,098	2,345,970	-	46,155,068
Land improvements	467,626	-	-	467,626
Buildings and improvements	22,526,024	914,265	-	23,440,289
Vehicles	1,253,126	38,956	-	1,292,082
Machinery and equipment	17,989,488	371,850	-	18,361,338
Subtotal	86,045,362	3,671,041	-	89,716,403
Accumulated depreciation:				
Water and sewer distribution systems	10,841,440	681,342	-	11,522,782
Land improvements	310,186	11,042	-	321,228
Buildings and improvements	11,681,874	443,201	-	12,125,075
Vehicles	800,917	151,271	-	952,188
Machinery and equipment	14,230,968	710,485	-	14,941,453
Subtotal	37,865,385	1,997,341	-	39,862,726
Net capital assets being depreciated	48,179,977	1,673,700	-	49,853,677
Net capital assets	$ 48,547,908	$ 1,673,700	$ -	$ 50,221,608

As discussed in Note 13, the City adjusted beginning net assets and capital assets to properly reflect prior period activity. This resulted in increases of $4,497,474 to water and sewer distribution systems being depreciated, $199,930 to accumulated depreciation of water and sewer distribution systems, and $193,140 to accumulated depreciation of land improvements, as of July 1, 2006.

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	$ 340,481
Public safety	388,205
Public works	3,750,681
Recreation and culture	203,149
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	192,744
Total governmental activities	$ 4,875,260
Business-type activities:	
Water	$ 980,892
Wastewater	1,016,449
Total business-type activities	$ 1,997,341

Construction Commitments - The City has various active construction and related projects at year end. The City's construction projects include city hall improvements, the 2007 Concrete Paving program, wastewater plant improvements, and demolition of an abandoned factory site, as well as various other City projects specifically allocated toward various capital improvements within the City. At year end, the City's significant commitments with contractors are as follows:

	Total Commitment	Spent to Date	Remaining Commitment
City Hall Roof Replacement/HVAC	$ 439,400	$ 48,350	$ 391,050
2007 Concrete Paving program	491,310	-	491,310
Wastewater Plant improvements	865,800	424,045	441,755
Monroe Paper Co. demolition	912,725	783,505	129,220
Total	$ 2,709,235	$ 1,255,900	$ 1,453,335

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor funds:	
	Grants Fund	$ 17,597
	Local Streets Fund	8,713
Total General Fund		26,310
Nonmajor fund - Local Streets Fund	Nonmajor fund - Major Streets Fund	40,344
Nonmajor fund - Capital Projects Fund	Nonmajor fund - Grants Fund	378,840
Total nonmajor fund		419,184
Internal Service Fund - Insurance Fund	Internal Service Fund - Stores and Equipment Fund	55,867
Internal Service Fund - Employee Benefit Fund	General Fund	3,303
	Nonmajor governmental funds:	
	Parking Meter Fund	18
	Building Safety Fund	81
	Airport Fund	29
	Business-type funds:	
	Wastewater Fund	526
	Water Fund	626
	Internal Service Funds:	
	Information System Fund	56
	Stores and Equipment Fund	82
Total Internal Service Funds		60,588
Total interfund activity		$ 506,082

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Due to/from Primary Government and Component Units

Internal Service Fund - Employee Benefit Fund	Component unit - Downtown Development Authority	$ 18

Advances Due to/from Other Funds

Water Fund	General Fund	$ 815,358

Advances Due to/from Primary Government and Component Units

Nonmajor fund - Economic Development Fund	Component unit - Brownfield Redevelopment Authority	$ 407,425
Business-type fund - Water Fund	Component unit - Brownfield Redevelopment Authority	947,116
Total advances due to/from primary government and component units		$ 1,354,541

Advances are being repaid with interest over a number of years.

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Fund Transferred From	Fund Transferred To		Amount
General Fund	Nonmajor governmental funds	(1)	$ 583,328
	Nonmajor governmental funds	(2)	20,000
	Nonmajor governmental funds	(3)	58,383
	Internal Service Funds	(3)	50,000
	Internal Service Funds	(4)	155,000
	Total		866,711
Economic Development Fund	Nonmajor governmental funds	(1)	27,360
Nonmajor governmental funds	Nonmajor governmental funds	(1)	964,805
	Internal Service Funds	(4)	7,555
	Total		972,360
Internal Service Funds	General Fund	(3)	10,000
	Nonmajor governmental funds	(1)	80,000
	Internal Service Funds	(4)	10,825
	Total		100,825
Wastewater Fund	Internal Service Funds	(4)	32,789
Water Fund	Internal Service Funds	(4)	23,732
	Total transfers		$ 2,023,777

(1) Transfer for capital improvements
(2) Transfer for debt service
(3) For administrative purposes
(4) For employee benefits

Note 7 - Long-term Debt

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.

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Ranges	Principal Maturity Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities									
General obligation bonds:									
MDEQ Site Revitalization Loan	$ 1,000,000	2.25%	$84,829-$101,356	2015	$ 817,508	$ -	$ 82,962	$ 734,546	$ 84,829
MDEQ Site Revitalization Loan - Mason Run	$ 800,000	2%	$73,061-$87,315	2019	-	800,000	-	800,000	-
Michigan Resource Recovery Project grant repayment	$ 200,000	-%	$20,000	2009	80,000	-	20,000	60,000	20,000
2005 Monroe Building Authority Refunding Bonds	$ 5,400,000	2.75%-4.375%	$45,000-$450,000	2024	5,360,000	-	45,000	5,315,000	45,000
1997 Building Authority Bonds - Ice Arena	$ 6,265,000	5.375%-5.40%	$191,000-$450,000	2008	570,000	-	180,000	390,000	190,000
Total bond obligations					6,827,508	800,000	327,962	7,299,546	339,829
Installment purchase obligations									
HVAC installment purchase	$ 439,400	4.44%	$35,858-$53,013	2017	-	439,400	-	439,400	35,858
Pumper truck installment purchase	$ 167,510	4.19%	$30,810-$36,307	2012	-	167,510	-	167,510	30,810
Total installment purchase obligations					-	606,910	-	606,910	66,668
Equipment lease obligations:									
Equipment lease obligations	$ 515,250	4.15%	$102,880-$111,596	2010	420,406	-	98,781	321,625	102,880
Equipment lease obligations	$ 173,740	3.90%	$36,556-$37,022	2009	108,274	-	34,696	73,578	37,022
Total equipment lease obligations					528,680	-	133,477	395,203	139,902
Total bond, installment purchase, and equipment lease obligations					7,356,188	1,406,910	461,439	8,301,659	546,399
Compensated absences					774,079	29,216	-	803,295	160,659
Total governmental activities					$ 8,130,267	$ 1,436,126	$ 461,439	$ 9,104,954	$ 707,058
Business-type Activities									
1997 General Obligation Unlimited Tax Water Refunding Bonds	$ 1,740,000	4.4%-4.9%	$185,000 - $195,000	2010	$ 715,000	$ -	$ 185,000	$ 530,000	$ -
2005 General Obligation Unlimited Capital Improvement Bonds	$ 2,385,000	3.25%-4.25%	$80,000 - $175,000	2025	2,305,000	-	80,000	2,225,000	80,000
Total business-type activities					$ 3,020,000	$ -	$ 265,000	$ 2,755,000	$ 80,000

Note 7 - Long-term Debt (Continued)

All governmental bond obligations are financed through the Debt Service Funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	$ 546,399	$ 284,234	$ 830,632	$ 80,000	$ 100,168	$ 180,168
2009	564,994	262,107	827,101	265,000	106,055	371,055
2010	547,843	242,002	789,845	265,000	94,863	359,863
2011	518,696	223,621	742,317	270,000	83,450	353,450
2012	524,756	223,189	747,945	95,000	75,600	170,600
2013-2017	2,497,166	853,794	3,350,961	570,000	319,388	889,388
2018-2022	2,206,805	414,259	2,621,064	705,000	196,250	901,250
2023-2026	895,000	38,878	933,878	505,000	43,562	548,562
Total	$ 8,301,659	$ 2,542,085	$ 10,843,742	$ 2,755,000	$ 1,019,336	$ 3,774,336

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, $4,905,000 of bonds outstanding are considered to be defeased.

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 participates in the Michigan Municipal League risk pool for claims related to general liability; the City is uninsured for workers' compensation and medical benefits.

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. Settled claims have not exceeded the amount of insurance coverage in the past three years.

Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Employee Benefit Internal Service Funds and within the governmental activities and business-type activities columns in the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2007	2006
Unpaid claims - Beginning of year	$ 627,808	$ 384,167
Incurred claims (including claims incurred but not reported)	2,008,403	2,085,087
Claim payments	(2,028,618)	(1,841,446)
Unpaid claims - End of year	$ 607,593	$ 627,808

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Monroe Employee Retirement System is a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administered by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2006, the date of the most recent actuarial valuation, membership consisted of 210 retirees and beneficiaries currently receiving benefits, 18 terminated employees entitled to benefits but not yet receiving them, and 241 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

Funding Policy and Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 2 percent to 5.5 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2007. Securities without an established market are reported at estimated fair value.

Annual Pension Costs - The annual contribution for the year ended June 30, 2007 was $487,016. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional salary increases of 0 percent to 4 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost of living adjustments (depending on bargaining unit). Both (a) and (b) are 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 percent of payroll on a closed basis. The remaining amortization period is 30 years.

Reserves - As of June 30, 2007, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	$ 10,790,315
Reserve for retired benefit payments	54,537,066

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	$ -	$ 479,028	$ 487,016
Percentage of APC contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

Note 10 - Other Postemployment Benefits

During the year ended June 30, 1999, the City began prefunding for the liability for postemployment healthcare benefits related to employees covered under the Employees' Retirement System based on an actuarial valuation performed for the year ended December 31, 1998. An updated actuarial valuation was subsequently performed for the year ended December 31, 2002. At June 30, 2007, there were 187 active plan participants. Significant actuarial assumptions used in determining the healthcare obligation for the Employees' Retirement System include a rate of return on investments of present and future assets of 7.5 percent per year compounded annually and a long-term average assumed rate of premium increases of 4.5 percent per year. The actuarially accrued liability for health care as of June 30, 2007 has not been calculated. Employer payroll contributions of 13 percent were deemed by the actuary to be sufficient to sustain the fund indefinitely. The net assets available at June 30, 2007 amount to $9,605,387. The healthcare benefit activity related to the employees covered under the General Employees' Retirement System is recorded in the Retiree Health Care Fund. Employer contributions made to this fund of $2,407,758 for the year ended June 30, 2007 approximated the actuarially determined required contribution, as determined in 2002.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 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 healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of Frenchtown Township's own water processing plant.

The City has an 18/26 interest and the Township has an 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operation and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2007:

Total assets	$ 5,486,516
Total liabilities	56,844
Total equity	5,429,672
Total revenue	364,243
Total operating expenses	350,635
Increase in equity	13,608

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of $3,837,192 is recorded in the Water Fund.

Note 12 - Economic Dependency

Three taxpayers account for approximately 42 percent of the City's tax revenue and 10 percent of the water and sewage disposal revenue.

One of these taxpayers, Automotive Components Holdings is scheduled to close its facility in 2008, affecting revenues for the fiscal year ending June 30, 2009. This taxpayer accounts for approximately 5 percent of the City's tax revenue and 2 percent of the water and sewage disposal revenue.

Note 13 - Prior Period Adjustment

During the current year, the City identified infrastructure related to the Water Fund donated to the City in prior years but not recorded as capital assets when donated. In addition, the City identified infrastructure incorrectly depreciated in prior years. To correct these items, the City recorded adjustments to beginning net assets in the Water Fund in order to add $4,497,474 of capital assets and $393,070 of related accumulated depreciation. Accordingly, beginning net assets for the Water Fund have been adjusted and restated from $35,126,377 to $39,230,781, an increase of $4,104,404.

Note 14 - Pension Trust and Retiree Health Fund Condensed Information

The following are condensed financial statements for the retirement and retiree health care systems:

	Pension Trust Fund	Retiree Health Care Fund	Total
Statement of Net Assets			
Cash and investments	$ 149,553,686	$ 9,760,060	$ 159,313,746
Other assets	540,119	48,959	589,078
Liabilities	18,682,695	203,632	18,886,327
Net assets	131,411,110	9,605,387	141,016,497
Statement of Changes in Net Assets			
Investment income	16,589,676	1,416,464	18,006,140
Contributions	1,112,770	2,407,758	3,520,528
Benefit payments	5,002,959	1,885,712	6,888,671
Other decreases	89,314	37,478	126,792
Change in net assets	12,610,173	1,901,032	14,511,205

Required Supplemental Information

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	$ 2,989,051	$ 2,989,051	$ 2,989,051	$ -
Revenue				
Property taxes	13,434,200	13,400,296	13,385,490	(14,806)
Licenses and permits	301,500	336,320	323,865	(12,455)
Federal sources	-	-	405	405
State-shared revenues and grants	2,238,651	2,230,173	2,216,586	(13,587)
Charges for services	2,404,639	2,209,256	2,093,619	(115,637)
Fines and forfeitures	130,500	113,500	104,389	(9,111)
Interest income	440,000	625,000	643,275	18,275
Rent	51,985	64,168	67,219	3,051
Other	35,500	77,561	91,477	13,916
Other sources - Transfer in	350,287	10,000	10,000	-
Total revenue	19,387,262	19,066,274	18,936,325	(129,949)
Expenditures				
General government:				
City Council	157,940	156,650	125,137	31,513
City manager	448,793	448,928	442,380	6,548
Clerk-Treasurer	455,341	528,227	500,380	27,847
Finance	470,025	399,752	388,994	10,758
Assessor	329,554	330,653	327,143	3,510
Attorney	253,245	272,040	262,797	9,243
Human resources	242,650	260,915	250,934	9,981
Engineering	459,831	387,062	455,921	(68,859)
City hall grounds	339,172	365,372	354,644	10,728
Total general government	3,156,551	3,149,599	3,108,330	41,269
Public safety:				
Police	5,330,591	5,276,907	5,054,500	222,407
Fire	4,496,189	4,397,884	4,360,539	37,345
Zoning/Ordinance enforcement	265,739	237,188	227,652	9,536
Total public safety	10,092,519	9,911,979	9,642,691	269,288
Public works - Department of Public Services	2,124,064	1,819,941	1,820,211	(270)
Community development	290,005	282,925	281,662	1,263

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued)				
Recreation and culture:				
Historic District Commission	$ 7,100	$ 2,098	$ 1,691	$ 407
Social services	153,060	153,060	153,060	-
Public access TV	111,250	126,250	122,371	3,879
Recreation	1,945,890	2,279,964	2,194,034	85,930
Library	65,000	65,000	65,000	-
Total recreation and culture	2,282,300	2,626,372	2,536,156	90,216
Interest expense	-	42,888	42,888	-
Contingencies	147,000	7,030	-	7,030
Other uses - Transfers out	1,294,823	1,298,960	1,283,243	15,717
Total expenditures	19,387,262	19,139,694	18,715,181	424,513
Change in Fund Balance	-	(73,420)	221,144	294,564
Fund Balance - End of year	**$ 2,989,051**	**$ 2,915,631**	**$ 3,210,195**	**$ 294,564**

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	$ 299,571	$ 299,571	$ 299,571	$ -
Revenues				
Federal sources	-	-	55,086	55,086
State sources	-	972,995	161,644	(811,351)
Interest income	25,000	26,833	37,569	10,736
Other	-	41,008	68,601	27,593
Proceeds from issuance of long-term debt	-	-	800,000	800,000
Total revenues	25,000	1,040,836	1,122,900	82,064
Expenditures				
Public works	-	973,927	785,184	188,743
Other uses - Transfer out	235,000	260,624	27,360	233,264
Total expenditures	235,000	1,234,551	812,544	422,007
Change in Fund Balance	(210,000)	(193,715)	310,356	504,071
Fund Balance - End of year	**$ 89,571**	**$ 105,856**	**$ 609,927**	**$ 504,071**

Note - Budgetary Information

The budgets for the General and Economic Development Funds have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers and debt proceeds have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)". See Note 2 of the basic financial statements for further information regarding the budgetary process.

Required Supplemental Information
General Employees' Retirement System Schedule of Funding Progress and Employer Contributions
June 30, 2007
(Dollar amounts in thousands)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
12/31/01	$ 110,126	$ 72,033	$ (38,093)	152.9	$ 11,907	319.9
12/31/02	110,362	81,224	(29,138)	135.9	12,515	232.8
12/31/03	110,752	86,365	(24,387)	128.2	12,573	194.0
12/31/04	111,524	98,058	(13,466)	113.7	13,016	103.5
12/31/05	118,935	101,937	(16,998)	116.7	13,233	128.5
12/31/06	124,033	105,394	(18,639)	117.7	13,007	143.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/01	12/31/99	$ 11,596	100.0
06/30/02	12/31/00	-	100.0
06/30/03	12/31/01	-	100.0
06/30/04	12/31/02	-	100.0
06/30/05	12/31/03	-	100.0
06/30/06	12/31/04	479,028	100.0
06/30/07	12/31/04**	487,016	100.0

* The required contribution is expressed to the City as a percentage of payroll.

** Through the year ended June 30, 2006, the City's annual required contribution was determined by the actual valuation dated 18 months prior. Beginning with the fiscal year ended June 30, 2007, the City's annual required contribution was determined by the actuarial valuation 30 months prior.

Required Supplemental Information
General Employees' Retirement System Schedule of Funding Progress and Employer Contributions (Continued)
June 30, 2007

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation date, is as follows:

General Employees' Retirement System	
Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	29
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	4.5%
Seniority/merit	0% -4%
Cost of living adjustments	2%-3%

Other Supplemental Information

Nonmajor Governmental Funds

Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant program. These funds are used to provide approved Block Grant projects and programs.

The **Budget Stabilization Fund** accounts for funds earmarked for use in balancing the budget in future years.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Safety Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

Nonmajor Governmental Funds (Continued)

Debt Service Funds

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multi-sports complex.

Capital Projects Fund

The **Capital Projects Fund** is used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
Assets						
Cash and cash equivalents	$ 977,288	$ -	$ 603,714	$ 103,724	$ 123,402	$ 8,890
Investments	138,000	-	777,000	-	-	1,991,110
Receivables:						
Customer receivables	-	-	-	-	-	-
Property taxes	-	-	172,127	-	-	-
Economic development loans	-	-	-	-	76,745	-
Special assessment receivable	19,592	-	-	-	-	-
Accrued interest	3,528	-	2,352	151	373	-
Other	667	-	-	97,908	-	-
Other assets	-	-	-	-	-	-
Due from other funds	-	40,344	-	-	-	-
Due from other governmental units	168,687	56,027	-	-	407,539	-
Total assets	**$ 1,307,762**	**$ 96,371**	**$ 1,555,193**	**$ 201,783**	**$ 608,059**	**$ 2,000,000**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 86,835	$ 757	$ 163,489	$ 10,528	$ -	$ -
Accrued and other liabilities	-	-	-	1,207	-	-
Deferred revenue	15,903	-	1,338,289	97,908	76,746	-
Due to other funds	40,344	8,713	-	18	396,437	-
Total liabilities	143,082	9,470	1,501,778	109,661	473,183	-
Fund Balances						
Reserved for unspent loan proceeds	-	-	-	-	-	-
Unreserved	1,164,680	86,901	53,415	92,122	134,876	2,000,000
Total fund balances	1,164,680	86,901	53,415	92,122	134,876	2,000,000
Total liabilities and fund balances	**$ 1,307,762**	**$ 96,371**	**$ 1,555,193**	**$ 201,783**	**$ 608,059**	**$ 2,000,000**

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Special Revenue Funds				Debt Service Funds		Nonmajor Capital Projects Fund	
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	Total Nonmajor Governmental Funds
$ 76,759	$ 38,517	$ 8,072	$ 81,344	$ 1,505	$ 1,031	$ 458,263	$ 2,482,509
-	-	-	-	-	178,000	1,557,942	4,642,052
-	11,779	-	-	-	-	-	11,779
-	-	-	-	529	-	4,515	177,171
-	-	-	-	-	-	-	76,745
-	-	-	-	-	-	129,223	148,815
403	28	-	-	-	234	18,605	25,674
-	-	-	1,626	-	-	7,561	107,762
-	20,034	-	-	-	-	12,079	32,113
-	-	-	-	-	-	378,840	419,184
-	-	-	-	-	-	37,605	669,858
$ 77,162	**$ 70,358**	**$ 8,072**	**$ 82,970**	**$ 2,034**	**$ 179,265**	**$ 2,604,633**	**$ 8,793,662**
$ 3	$ 34,467	$ 481	$ -	$ 2	$ 20	$ 167,807	$ 464,389
-	1,776	6,761	-	-	-	-	9,744
-	-	-	-	529	-	123,125	1,652,500
-	29	81	-	-	-	-	445,622
3	36,272	7,323	-	531	20	290,932	2,572,255
-	-	-	-	-	-	391,050	391,050
77,159	34,086	749	82,970	1,503	179,245	1,922,651	5,830,357
77,159	34,086	749	82,970	1,503	179,245	2,313,701	6,221,407
$ 77,162	**$ 70,358**	**$ 8,072**	**$ 82,970**	**$ 2,034**	**$ 179,265**	**$ 2,604,633**	**$ 8,793,662**

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
Revenue						
Property taxes	$ -	$ -	$ 1,241,783	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	389,054	-	-	-	774,950	-
State sources	1,079,725	341,207	-	-	-	-
Charges for service	-	-	9,858	114,090	-	-
Interest income	64,489	-	41,896	4,950	9,734	-
Special assessments	5,036	-	-	-	-	-
Rent	-	-	-	-	-	-
Other	28,352	130	-	-	9,138	-
Total revenue	1,566,656	341,337	1,293,537	119,040	793,822	-
Expenditures						
Current services:						
Public safety	-	-	-	115,527	-	-
Public works	1,509,486	500,948	1,250,709	-	-	-
Health and welfare	-	-	-	-	70,515	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,509,486	500,948	1,250,709	115,527	70,515	-
Excess of Revenue Over (Under) Expenditures	57,170	(159,611)	42,828	3,513	723,307	-
Other Financing Sources (Uses)						
Transfers in	52,850	253,281	-	-	-	-
Transfers out	(299,869)	(33,100)	-	(903)	(631,836)	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Total other financing sources (uses)	(247,019)	220,181	-	(903)	(631,836)	-
Net Change in Fund Balances	(189,849)	60,570	42,828	2,610	91,471	-
Fund Balances - Beginning of year	1,354,529	26,331	10,587	89,512	43,405	2,000,000
Fund Balances - End of year	**$ 1,164,680**	**$ 86,901**	**$ 53,415**	**$ 92,122**	**$ 134,876**	**$ 2,000,000**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Special Revenue Funds				Debt Service Funds		Nonmajor Capital Projects Fund	
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,241,783
-	-	312,992	-	-	-	-	312,992
-	38,548	-	-	-	-	-	1,202,552
-	32,701	-	-	-	-	23,538	1,477,171
-	215,248	-	-	-	-	-	339,196
3,712	-	2,203	-	1,024	10,263	98,125	236,396
-	-	-	-	-	-	62,810	67,846
-	96,034	-	-	-	429,216	-	525,250
12,398	28,047	-	70,162	-	-	49,149	197,376
16,110	410,578	315,195	70,162	1,024	439,479	233,622	5,600,562
100	-	-	-	-	-	-	115,627
-	426,583	482,276	83,071	-	-	553,486	4,806,559
-	-	-	-	-	-	-	70,515
-	-	-	-	-	194	807,860	808,054
-	-	-	-	20,000	462,991	-	482,991
100	426,583	482,276	83,071	20,000	463,185	1,361,346	6,283,746
16,010	(16,005)	(167,081)	(12,909)	(18,976)	(23,706)	(1,127,724)	(683,184)
-	34,006	50,000	-	20,000	-	1,323,739	1,733,876
-	-	(6,652)	-	-	-	-	(972,360)
-	-	-	-	-	-	606,910	606,910
-	34,006	43,348	-	20,000	-	1,930,649	1,368,426
16,010	18,001	(123,733)	(12,909)	1,024	(23,706)	802,925	685,242
61,149	16,085	124,482	95,879	479	202,951	1,510,776	5,536,165
$ 77,159	**$ 34,086**	**$ 749**	**$ 82,970**	**$ 1,503**	**$ 179,245**	**$ 2,313,701**	**$ 6,221,407**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
Year Ended June 30, 2007

Special Revenue Fund - Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
Federal sources	$ 450,000	$ 383,988	$ 389,054	$ 5,066
State sources	1,087,894	1,119,000	1,079,725	(39,275)
Interest income	32,800	52,800	64,489	11,689
Other	1,000	28,765	33,388	4,623
Other sources - Transfers in	43,400	52,850	52,850	-
Total revenues and other sources	**$ 1,615,094**	**$ 1,637,403**	**$ 1,619,506**	**$ (17,897)**
Expenditures and Other Uses				
Public works	$ 1,779,325	$ 1,724,687	$ 1,509,486	$ 215,201
Other uses - Transfers out	245,724	304,088	299,869	4,219
Total expenditures and other uses	**$ 2,025,049**	**$ 2,028,775**	**$ 1,809,355**	**$ 219,420**

Special Revenue Fund - Local Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
State sources	$ 335,000	$ 340,000	$ 341,207	$ 1,207
Interest income	500	-	-	-
Other	77,000	2,130	130	(2,000)
Other sources - Transfers in	415,724	257,500	253,281	(4,219)
Total revenues and other sources	**$ 828,224**	**$ 599,630**	**$ 594,618**	**$ (5,012)**
Expenditures and Other Uses				
Public works	$ 698,750	$ 506,875	$ 500,948	$ 5,927
Other uses - Transfers out	33,100	-	33,100	(33,100)
Total expenditures and other uses	**$ 731,850**	**$ 506,875**	**$ 534,048**	**$ (27,173)**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Year Ended June 30, 2007

Special Revenue Fund - Rubbish, Garbage, and Recycling

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	$ 1,243,779	$ 1,243,365	$ 1,241,783	$ (1,582)
Charges for service	13,700	11,500	9,858	(1,642)
Interest income	21,000	38,000	41,896	3,896
Total revenues	**$ 1,278,479**	**$ 1,292,865**	**$ 1,293,537**	**$ 672**
Expenditures - Public works	**$ 1,270,745**	**$ 1,280,261**	**$ 1,250,709**	**$ 29,552**

Special Revenue Fund - Parking Meter

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Charges for service	$ 158,000	$ 125,000	$ 114,090	$ (10,910)
Interest income	4,000	4,000	4,950	950
Total revenues	**$ 162,000**	**$ 129,000**	**$ 119,040**	**$ (9,960)**
Expenditures and Other Uses				
Public safety	$ 158,018	$ 138,494	$ 115,527	$ 22,967
Other uses - Transfer out	903	903	903	-
Total expenditures and other uses	**$ 158,921**	**$ 139,397**	**$ 116,430**	**$ 22,967**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007

Special Revenue Fund - Grants

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
Federal sources	$ 541,249	$ 1,027,800	$ 774,950	$ (252,850)
Interest income	7,774	7,374	9,734	2,360
Other	-	3,919	9,138	5,219
Total revenues and other sources	**$ 549,023**	**$ 1,039,093**	**$ 793,822**	**$ (245,271)**
Expenditures and Other Uses				
Health and welfare	$ 59,458	$ 223,800	$ 70,515	$ 153,285
Other uses - Transfer out	491,445	804,000	631,836	172,164
Total expenditures and other uses	**$ 550,903**	**$ 1,027,800**	**$ 702,351**	**$ 325,449**

Special Revenue Fund - Drug Forfeiture

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest income	$ 2,100	$ 3,000	$ 3,712	$ 712
Other	12,000	12,000	12,398	398
Total revenues	**$ 14,100**	**$ 15,000**	**$ 16,110**	**$ 1,110**
Expenditures - Public safety	**$ 11,500**	**$ 11,590**	**$ 100**	**$ 11,490**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007

Special Revenue Fund - Airport

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Federal sources	$ -	$ -	$ 38,548	$ 38,548
State sources	-	-	32,701	32,701
Charges for service	271,400	225,000	215,248	(9,752)
Rent	101,800	87,220	96,034	8,814
Other	6,000	30,762	28,047	(2,715)
Interest income	300	-	-	-
Other sources - Transfers in	39,000	64,623	34,006	(30,617)
Total revenues	**$ 418,500**	**$ 407,605**	**$ 444,584**	**$ 36,979**
Expenditures and Other Uses				
Public works	$ 408,225	$ 400,480	$ 426,583	$ (26,103)
Other uses - Transfers out	5,225	5,225	-	5,225
Total expenditures and other uses	**$ 413,450**	**$ 405,705**	**$ 426,583**	**$ (20,878)**

Special Revenue Fund - Building Safety

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Licenses and permits	$ 444,300	$ 290,200	$ 312,992	$ 22,792
Interest income	8,000	2,000	2,203	203
Other sources - Transfers in	-	81,565	50,000	(31,565)
Total revenues	**$ 452,300**	**$ 373,765**	**$ 365,195**	**$ (8,570)**
Expenditures and Other Uses				
Public works	$ 488,661	$ 491,593	$ 482,276	$ 9,317
Other uses - Transfers out	6,652	6,652	6,652	-
Total expenditures and other uses	**$ 495,313**	**$ 498,245**	**$ 488,928**	**$ 9,317**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007

Special Revenue Fund - Expendable Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues - Other revenue	$ -	$ 73,072	$ 70,162	$ (2,910)
Expenditures - Public works	$ -	$ 149,686	$ 83,071	$ 66,615

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007

Debt Service Fund - Debt Service

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest income	$ -	$ 700	$ 1,024	$ 324
Other sources - Transfers in	40,000	40,000	40,000	-
Total revenues	**$ 40,000**	**$ 40,700**	**$ 41,024**	**$ 324**
Expenditures - Debt service	**$ 40,000**	**$ 40,000**	**$ 40,000**	**$ -**

Debt Service Fund - Building Authority

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest on investments	$ 5,000	$ 10,000	$ 10,263	$ 263
Rent	458,017	453,635	429,216	(24,419)
Total revenues	**$ 463,017**	**$ 463,635**	**$ 439,479**	**$ (24,156)**
Expenditures and Other Uses				
Debt service	$ 463,017	$ 463,635	$ 462,991	$ 644
Miscellaneous	-	-	194	(194)
Total expenditures and other uses	**$ 463,017**	**$ 463,635**	**$ 463,185**	**$ 450**

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007

Capital Projects Fund - Capital Projects

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
State sources	$ 125,225	$ 701,879	$ 23,538	$ (678,341)
Interest income	25,000	84,000	98,125	14,125
Special assessments	89,300	61,645	62,810	1,165
Other	-	41,649	49,149	7,500
Other sources - Transfers in	1,224,998	1,734,391	1,323,739	(410,652)
Proceeds from issuance of long-term debt	-	606,910	606,910	-
Total revenues	**$ 1,464,523**	**$ 3,230,474**	**$ 2,164,271**	**$ (1,066,203)**
Expenditures and Other Uses				
Public works	$ 916,850	$ 2,404,498	$ 553,486	$ 1,851,012
Capital outlay	504,673	1,915,775	807,860	1,107,915
Total expenditures and other uses	**$ 1,421,523**	**$ 4,320,273**	**$ 1,361,346**	**$ 2,958,927**

Internal Service Funds

The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits including health care and workers' compensation for which the City is self-insured and finances its claim payments through budgeted transfers from other funds.

Other Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Assets					
Current assets:					
Cash and investments:	$ 121,357	$ 175,233	$ 115,399	$ 740,452	$ 1,152,441
Investments	-	203,000	74,000	2,115,000	2,392,000
Receivables:					
Interest	-	2,439	1,278	30,686	34,403
Other	6,348	-	-	141,968	148,316
Due from other funds	-	-	55,867	4,721	60,588
Due from component units	-	-	-	18	18
Prepaid costs and other assets	-	-	306,685	200	306,885
Inventories	33,468	-	-	-	33,468
Total current assets	161,173	380,672	553,229	3,033,045	4,128,119
Noncurrent assets - Capital assets	1,298,482	32,974	-	-	1,331,456
Total assets	1,459,655	413,646	553,229	3,033,045	5,459,575
Liabilities					
Current:					
Accounts payable	52,460	3,821	2	365,083	421,366
Accrued liabilities	40,880	20,791	-	2,203,707	2,265,378
Current portion of long-term debt	37,022	-	-	-	37,022
Due to other funds	55,949	56	-	-	56,005
Total current liabilities	186,311	24,668	2	2,568,790	2,779,771
Noncurrent liabilities - Long-term debt - Net of current portion	36,556	-	-	-	36,556
Total liabilities	222,867	24,668	2	2,568,790	2,816,327
Net Assets					
Invested in capital assets - Net of related debt	1,224,904	32,974	-	-	1,257,878
Unrestricted	11,884	356,004	553,227	464,255	1,385,370
Total net assets	**$ 1,236,788**	**$ 388,978**	**$ 553,227**	**$ 464,255**	**$ 2,643,248**

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2007

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Operating Revenue					
Charges to other funds	$ 812,040	$ 423,833	$ 415,498	$ 2,898,634	$ 4,550,005
Other	21,122	13,225	-	39,395	73,742
Total operating revenue	833,162	437,058	415,498	2,938,029	4,623,747
Operating Expenses					
Operations and maintenance	701,914	319,236	461,371	2,911,677	4,394,198
Depreciation	182,718	10,026	-	-	192,744
Total operating expenses	884,632	329,262	461,371	2,911,677	4,586,942
Operating Income (Loss)	(51,470)	107,796	(45,873)	26,352	36,805
Nonoperating Revenue (Expense)					
Gain on sale of assets	38,909	-	-	-	38,909
Investment income	-	23,300	20,906	119,903	164,109
Interest expense	(9,755)	-	-	-	(9,755)
Total nonoperating revenue	29,154	23,300	20,906	119,903	193,263
Income (Loss) - Before transfers	(22,316)	131,096	(24,967)	146,255	230,068
Transfers					
Transfers from other funds	50,000	-	-	229,901	279,901
Transfers to other funds	(5,458)	(95,367)	-	-	(100,825)
Total transfers	44,542	(95,367)	-	229,901	179,076
Net Income (Loss)	22,226	35,729	(24,967)	376,156	409,144
Net Assets - Beginning of year	1,214,562	353,249	578,194	88,099	2,234,104
Net Assets - End of year	**$ 1,236,788**	**$ 388,978**	**$ 553,227**	**$ 464,255**	**$ 2,643,248**

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Cash Flows from Operating Activities					
Cash received from customers	$ 808,388	$ 423,833	$ 465,498	$ 2,787,517	$ 4,485,236
Payments to suppliers	(375,197)	(71,575)	(465,238)	(2,314,111)	(3,226,121)
Payments to employees for wages and benefits	(367,670)	(249,376)	-	(265,781)	(882,827)
Other receipts/payments	21,122	13,225	-	39,395	73,742
Net cash provided by operating activities	86,643	116,107	260	247,020	450,030
Cash Flows from Noncapital Financing Activities -					
Transfers in (out)	44,542	(95,367)	-	229,901	179,076
Cash Flows from Capital and Related Financing Activities					
Principal and interest paid on long-term debt	(44,451)	-	-	-	(44,451)
Purchase of capital assets	(47,527)	(5,895)	-	-	(53,422)
Proceeds from sale of capital assets	38,909	-	-	-	38,909
Net cash used in capital and related financing activities	(53,069)	(5,895)	-	-	(58,964)
Cash Flows from Investing Activities					
Interest received on investments	3	21,655	20,161	105,094	146,913
Purchase of investment securities	-	(203,000)	-	(174,000)	(377,000)
Proceeds from sale and maturities of investment securities	-	-	28,104	-	28,104
Net cash provided by (used in) investing activities	3	(181,345)	48,265	(68,906)	(201,983)
Net Increase (Decrease) in Cash and Cash Equivalents	78,119	(166,500)	48,525	408,015	368,159
Cash and Cash Equivalents - July 1, 2006	43,238	341,733	66,874	332,437	784,282
Cash and Cash Equivalents - June 30, 2007	**$ 121,357**	**$ 175,233**	**$ 115,399**	**$ 740,452**	**$ 1,152,441**
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	$ (51,470)	$ 107,796	$ (45,873)	$ 26,352	$ 36,805
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	182,718	10,026	-	-	192,744
Changes in assets and liabilities:					
Receivables	(3,652)	-	-	(109,760)	(113,412)
Due from other funds	-	-	50,000	(1,357)	48,643
Due from component units	-	-	-	(18)	(18)
Prepaid costs and other assets	-	27	6,129	300	6,456
Inventory	(796)	-	-	-	(796)
Accounts payable	7,499	2,777	(9,996)	323,122	323,402
Accrued and other liabilities	2,317	(4,529)	-	8,381	6,169
Due to other funds	(49,973)	10	-	-	(49,963)
Net cash provided by operating activities	**$ 86,643**	**$ 116,107**	**$ 260**	**$ 247,020**	**$ 450,030**

Pension and Other Employee Benefit Trust Funds

The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree health care benefits. Financing is provided through budgeted transfers from other funds.

Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds - Pension and Other
Employee Benefit Trust Funds
June 30, 2007

	Pension Trust	Retiree Health Care	Total
Assets			
Cash and cash equivalents	$ -	$ 846,843	$ 846,843
Investments:			
U.S. government	26,263,820	2,638,972	28,902,792
Stocks	62,280,673	6,060,610	68,341,283
Corporate bonds	21,453,693	213,635	21,667,328
Mutual funds	19,093,656	-	19,093,656
Other investments	1,779,149	-	1,779,149
Securities lending short-term collateral	18,682,695	-	18,682,695
Receivables:			
Interest	540,119	624	540,743
Other	-	48,335	48,335
Total assets	150,093,805	9,809,019	159,902,824
Liabilities			
Accrued and other liabilities	-	203,632	203,632
Amounts due to broker under securities lending agreement	18,682,695	-	18,682,695
Total liabilities	18,682,695	203,632	18,886,327
Net Assets - Held in trust for pension and other employee benefits	**$ 131,411,110**	**$ 9,605,387**	**$ 141,016,497**

Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2007

	Pension Trust	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	$ 3,677,371	$ 295,562	$ 3,972,933
Net increase in fair value of investments	13,695,958	1,120,902	14,816,860
Less investment expenses	(816,484)	-	(816,484)
Net investment income	16,556,845	1,416,464	17,973,309
Securities lending income:			
Interest and fees	1,005,922	-	1,005,922
Less borrower rebates and bank fees	(973,091)	-	(973,091)
Net securities lending income	32,831	-	32,831
Contributions:			
Employer	487,016	2,407,758	2,894,774
Employee	625,754	-	625,754
Total contributions	1,112,770	2,407,758	3,520,528
Total additions	17,702,446	3,824,222	21,526,668
Deductions			
Benefit payments	5,002,959	1,885,712	6,888,671
Refunds of contributions	49,980	-	49,980
Administrative expenses	39,334	37,478	76,812
Total deductions	5,092,273	1,923,190	7,015,463
Net Increase	12,610,173	1,901,032	14,511,205
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	118,800,937	7,704,355	126,505,292
End of year	**$ 131,411,110**	**$ 9,605,387**	**$ 141,016,497**

Agency Fund

The **Agency Fund** accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

Other Supplemental Information
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2007

Agency Fund	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Assets				
Cash and cash equivalents	$ 7,369,196	$ 72,729,464	$ 71,569,490	$ 8,529,170
Other assets	2,102,040	34,081,994	32,178,345	4,005,689
Total assets	**$ 9,471,236**	**$ 106,811,458**	**$ 103,747,835**	**$ 12,534,859**
Liabilities				
Accounts payable	$ 13,390	$ 801,061	$ 737,972	$ 76,479
Accrued and other liabilities	6,854	14,368	13,918	7,304
Due to other governmental units	9,450,992	34,850,404	31,850,320	12,451,076
Total liabilities	**$ 9,471,236**	**$ 35,665,833**	**$ 32,602,210**	**$ 12,534,859**

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Financial Trends
Net Assets by Component

	2003	2004	2005	2006	2007
Governmental Activities					
Invested in capital assets - Net of related debt	$ 73,971,934	$ 71,362,624	$ 69,001,428	$ 68,662,294	$ 67,326,685
Restricted	2,563,615	3,060,630	2,488,896	1,620,483	1,517,780
Unrestricted	9,401,509	9,021,764	9,393,005	8,104,377	8,522,827
Total net assets	85,937,058	83,445,018	80,883,329	78,387,154	77,367,292
Business-type Activities, as restated					
Invested in capital assets - Net of related debt	40,573,587	42,499,859	44,939,561	46,395,023	47,466,608
Unrestricted	14,685,332	14,801,823	14,478,292	13,380,716	12,401,910
Total net assets	55,258,919	57,301,682	59,417,853	59,775,739	59,868,518
Primary Government in Total					
Invested in capital assets - Net of related debt	114,545,521	113,862,483	113,940,989	115,057,317	114,793,293
Restricted	2,563,615	3,060,630	2,488,896	1,620,483	1,517,780
Unrestricted	24,086,841	23,823,587	23,871,297	21,485,093	20,924,737
Total net assets	**$ 141,195,977**	**$ 140,746,700**	**$ 140,301,182**	**$ 138,162,893**	**$ 137,235,810**

Financial Trends
Changes in Governmental and Business-type Net Assets

	2003	2004	2005	2006*	2007
Expenses					
Governmental activities:					
General government	$ 2,478,310	$ 2,739,358	$ 2,797,809	$ 3,703,272	$ 3,475,626
Public safety	8,398,969	9,438,673	9,955,878	10,167,563	10,557,003
Public works	6,929,557	8,535,047	10,419,518	8,991,478	8,073,568
Community development	810,794	1,856,992	559,559	913,348	1,056,860
Culture and recreation	2,088,319	2,083,546	1,535,537	2,336,309	2,299,055
Interest on long-term debt	442,533	428,843	335,422	268,285	290,567
Total governmental activities	21,148,482	25,082,459	25,603,723	26,380,255	25,752,679
Business-type activities, as restated:					
Water	4,730,083	4,204,020	4,793,103	5,284,633	5,772,384
Wastewater	5,606,874	5,447,142	5,641,788	5,787,812	5,849,335
Total business-type activities	10,336,957	9,651,162	10,434,891	11,072,445	11,621,719
Total primary government expenses	31,485,439	34,733,621	36,038,614	37,452,700	37,374,398
Program Revenues					
Governmental activities:					
Charges for services:					
General government	393,924	226,571	87,348	116,994	144,448
Public safety	1,281,521	1,181,297	1,238,814	1,280,660	1,251,333
Public works	586,877	387,788	407,955	1,169,010	657,196
Community development	54,414	5,691	302,682	367,937	902,972
Culture and recreation	1,335,850	1,252,575	1,184,312	1,121,457	975,343
Operating grants and contributions	1,664,974	2,683,511	1,987,274	2,088,844	2,389,324
Capital grants and contributions	136,319	24,051	3,918	3,188	5,036
Total governmental activities program revenue	5,453,879	5,761,484	5,212,303	6,148,090	6,325,652
Business-type activities:					
Charges for services:					
Water	4,593,706	4,704,174	5,028,934	4,877,286	4,954,923
Wastewater	4,953,138	5,461,691	5,329,404	5,457,644	6,079,243
Capital grants and contributions	2,043,404	534,856	1,919,510	885,144	268,370
Total business-type activities program revenues	11,590,248	10,700,721	12,277,848	11,220,074	11,302,536
Total primary government program revenues	17,044,127	16,462,205	17,490,151	17,368,164	17,628,188
Net (Expense) Revenue					
Governmental activities	(15,694,603)	(19,320,975)	(20,391,420)	(20,232,165)	(19,427,027)
Business-type activities	1,253,291	1,049,559	1,842,957	147,629	(319,183)
Total primary government net expense	(14,441,312)	(18,271,416)	(18,548,463)	(20,084,536)	(19,746,210)

Financial Trends
Changes in Governmental and Business-type Net Assets (Continued)

	2003	2004	2005	2006*	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	$ 13,207,761	$ 13,547,001	$ 14,288,246	$ 14,207,450	$ 14,695,520
State-shared revenues	2,443,593	2,211,290	2,175,483	2,155,107	2,092,605
Investment earnings	430,530	321,738	519,669	816,760	1,086,134
Franchise fees	159,606	249,297	213,223	224,351	244,743
Gain on sale of capital assets	-	431,055	509,664	351	10,423
Miscellaneous	20,267	26,719	82,105	179,772	221,219
Transfers	279,141	41,835	41,341	152,199	56,521
Special item	(6,244)	-	-	-	-
Total governmental activities	16,534,654	16,828,935	17,829,731	17,735,990	18,407,165
Business-type activities:					
Investment earnings	289,625	253,806	308,659	343,595	468,483
Gain on sale of capital assets	-	21,485	-	12,365	-
Miscellaneous	-	5,743	5,896	6,496	-
Transfers	(279,141)	(41,835)	(41,341)	(152,199)	(56,521)
Total business-type activities	10,484	239,199	273,214	210,257	411,962
Total primary government	16,545,138	17,068,134	18,102,945	17,946,247	18,819,127
Changes in Net Assets					
Governmental activities	840,051	(2,492,040)	(2,561,689)	(2,496,175)	(1,019,862)
Business-type activities	1,263,775	1,288,758	2,116,171	357,886	92,779
Total primary government	**$ 2,103,826**	**$ (1,203,282)**	**$ (445,518)**	**$ (2,138,289)**	**$ (927,083)**

* The presentation of certain 2006 items has been reclassified to conform to their presentation in 2007

	1998	1999	2000	2001
General Fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	1,579,057	1,837,618	2,156,796	2,949,279
Total General Fund	**$ 1,579,057**	**$ 1,837,618**	**$ 2,156,796**	**$ 2,949,279**
All Other Governmental Funds				
Reserved	$ 209,981	$ -	$ -	$ -
Unreserved, reported in:				
Special Revenue Funds	2,139,199	2,266,875	3,252,175	4,086,784
Capital Project Funds	2,050,818	2,371,131	2,706,628	2,021,597
Debt Service Funds	426,654	689,619	688,546	758,681
Total all other governmental funds	**$ 4,826,652**	**$ 5,327,625**	**$ 6,647,349**	**$ 6,867,062**

2002	2003	2004	2005	2006	2007
$ 25,603	$ 24,016	$ 40,989	$ 24,775	$ 27,217	$ 1,414,153
2,577,075	2,921,594	2,955,892	3,182,447	2,961,834	1,796,042
$ 2,602,678	**$ 2,945,610**	**$ 2,996,881**	**$ 3,207,222**	**$ 2,989,051**	**$ 3,210,195**
$ 213,051	$ -	$ -	$ -	$ -	$ 1,191,050
5,255,000	5,833,155	6,033,496	5,534,777	4,121,530	3,536,885
1,167,365	1,344,826	1,699,590	1,800,999	1,510,776	180,748
109,727	120,172	149,986	177,132	203,430	1,922,651
$ 6,745,143	**$ 7,298,153**	**$ 7,883,072**	**$ 7,512,908**	**$ 5,835,736**	**$ 6,831,334**

City of Monroe, Michigan

	Year Ended			
	1998	1999	2000	2001
Revenue				
Property taxes	$ 11,045,189	$ 11,354,877	$ 11,503,032	$ 12,218,537
Licenses and permits	498,459	482,142	528,411	580,729
Federal grants	40,078	635,238	226,141	189,089
State-shared revenues and grants	4,576,299	4,302,649	4,277,137	4,868,206
Charges for services	374,365	321,607	369,032	969,235
Fines and forfeitures	86,746	115,541	102,866	135,059
Interest and rent	772,805	831,395	971,013	1,147,544
Special assessment	40,083	111,080	221,444	141,902
Other	201,488	292,714	334,923	514,614
Total revenue	17,635,512	18,447,243	18,533,999	20,764,915
Expenditures				
Current:				
General government	2,228,858	2,335,224	2,458,253	2,893,395
Public safety	6,845,341	7,350,452	7,394,091	7,578,789
Public works	4,046,587	5,085,821	4,484,654	7,267,506
Health and welfare	859,310	468,836	550,387	419,701
Community development	-	-	-	-
Recreation and culture	390,616	363,344	343,368	388,560
Capital outlay	849,457	1,167,421	899,816	2,069,934
Debt service:				
Principal and interest	439,621	125,734	44,186	63,964
Principal	-	-	-	-
Interest	-	-	-	-
Other	1,045,471	734,429	954,150	776,065
Total expenditures	16,705,261	17,631,261	17,128,905	21,457,914
Excess of Revenue Over (Under) Expenditures	930,251	815,982	1,405,094	(692,999)
Other Financing Sources (Uses)				
Transfers in	1,593,268	1,540,850	1,613,329	3,334,349
Transfers out	(1,528,268)	(1,577,987)	(1,459,288)	(1,716,208)
Debt issuance	-	-	-	176,865
Debt defeasance	-	-	-	-
Total other financing sources (uses)	65,000	(37,137)	154,041	1,795,006
Net Change in Fund Balances	995,251	778,845	1,559,135	1,102,007
Fund Balances - Beginning of year	5,446,167	6,441,418	7,305,768	8,864,903
Fund Balances - End of year	**$ 6,441,418**	**$ 7,220,263**	**$ 8,864,903** *	**$ 9,966,910**
Capital expenditures	***	***	***	***
Debt service as a percentage of noncapital expenditures	2.77%	0.76%	0.27%	0.33%

* An accounting change affected the beginning fund balance.

** Debt service breakdown between principal and interest prior to this period is not readily available.

*** Capital expenditures not readily available.

Financial Trends
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

June 30					
2002	2003	2004	2005	2006	2007
$ 12,498,929	$ 13,065,797	$ 13,563,896	$ 14,218,480	$ 14,173,323	$ 14,627,273
970,254	607,016	637,729	668,905	666,396	636,857
342,733	45,485	993,458	715,489	1,161,034	1,258,043
4,501,469	4,117,679	3,960,290	3,891,595	4,065,658	3,855,401
2,113,160	2,318,962	2,233,263	2,344,394	2,530,856	2,432,815
117,898	129,293	144,332	140,653	122,831	104,389
1,068,914	882,947	789,697	914,299	1,317,782	1,509,709
99,040	147,885	148,979	103,708	99,574	67,846
438,484	978,171	889,444	773,486	412,848	357,454
22,150,881	22,293,235	23,361,088	23,771,009	24,550,302	24,849,787
3,048,006	3,220,607	3,296,274	3,253,491	3,601,498	3,524,862
7,827,038	8,185,968	8,357,193	9,383,688	9,515,712	9,758,318
6,309,539	6,015,857	6,586,255	7,394,001	9,669,372	7,411,954
448,615	439,951	398,816	448,739	396,127	352,177
-	-	215,966	-	-	-
1,861,874	1,969,654	2,594,465	2,073,256	2,210,452	2,536,156
1,852,104	570,646	376,895	908,326	697,254	808,054
401,150 **	-	-	-	-	-
-	181,344	192,642	350,719	289,589	265,000
-	308,497	300,809	224,099	229,370	260,879
626,528	581,915	262,590	11,285	14,856	-
22,374,854	21,474,439	22,581,905	24,047,604	26,624,230	24,917,400
(223,973)	818,796	779,183	(276,595)	(2,073,928)	(67,613)
1,769,212	1,242,542	1,474,820	1,489,795	2,506,811	1,743,876
(1,221,897)	(1,317,468)	(1,617,813)	(1,989,777)	(2,328,226)	(1,866,431)
237,835	-	-	5,915,250	-	1,406,910
-	-	-	(5,298,496)	-	-
785,150	(74,926)	(142,993)	116,772	178,585	1,284,355
561,177	743,870	636,190	(159,823)	(1,895,343)	1,216,742
8,938,716	9,499,893	10,243,763	10,879,953	10,720,130	8,824,787
$ 9,499,893 *	**$ 10,243,763**	**$ 10,879,953**	**$ 10,720,130**	**$ 8,824,787**	**$ 10,041,529**
***	***	***	***	$ 3,838,980	$ 2,446,104
1.95%	2.34%	2.22%	2.48%	2.28%	2.34%

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

	Taxable Value by Property Type						
	Real Property						
Tax Year	Residential	Commercial	Industrial	Agricultural and Other	IFT	Personal Property	Total Value
1999	$ 267,614,270	$ 66,086,600	$ 324,143,260	$ 239,090	$ 18,430,045	$ 132,878,240	$ 809,391,505
2000	279,313,850	68,823,050	324,759,020	491,490	16,885,735	125,922,810	816,195,955
2001	295,303,870	72,200,730	326,205,935	554,690	22,434,675	119,482,790	836,182,690
2002	312,909,660	78,539,070	342,452,570	564,450	19,568,030	120,261,014	874,294,794
2003	327,755,545	81,832,880	363,119,650	471,330	25,625,750	113,617,820	912,422,975
2004	346,190,730	86,951,110	366,377,490	620,010	28,052,840	108,042,460	936,234,640
2005	365,730,580	91,437,540	362,735,560	760,530	26,419,080	107,305,420	954,388,710
2006	388,094,290	94,485,370	360,158,560	614,740	24,187,715	103,392,860	970,933,535

Source: City of Monroe Assessor

Revenue Capacity
Assessed Value and Actual Value of Taxable Property
Last Eight Fiscal Years

Tax Rate (Mills)	Estimated Actual Value	Value as a Percentage of Actual
15.5030	$ 1,802,045,660	44.92
15.0030	1,842,824,640	44.29
15.0030	1,894,874,580	44.13
15.0030	2,006,987,448	43.56
15.0030	2,115,321,120	43.13
15.3156	2,163,634,080	43.27
15.3156	2,197,095,020	43.44
15.3790	2,227,183,960	43.59

	Millage Rates - Direct City Taxes				Overlapping			
Tax Year	General Operating	Debt	Special Purpose	Total Direct Taxes	County	Community College	Intermediate School District	Library
Monroe School District								
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899
1998	13.1830	-	1.0700	14.2530	5.4993	2.2043	4.8189	0.4899
Jefferson School District								
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899
1998	13.1830	-	1.0700	14.2530	5.4993	2.2043	4.8189	0.4899

Note: City of Monroe has no Jefferson School District homestead properties located in its boundaries.

Source: City of Monroe Assessor

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General Operating	Debt	Special Purpose
2007	14.6644	-	2.9328

Revenue Capacity
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Rates				Total Tax Rate	
Public Transportation	State Education	School - Homestead	School - Nonhomestead	Homestead	Non-homestead
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	0.9985	18.9985	36.1043	54.1043
0.4825	6.0000	0.9985	18.9985	36.1353	54.1353
0.3922	6.0000	0.9985	18.9985	36.0507	54.0507
0.3346	5.0000	0.9941	18.9941	34.4686	52.4686
0.3311	6.0000	0.9974	18.9974	35.6129	53.6129
0.3151	6.0000	0.9989	18.9989	35.6188	53.6188
0.3127	6.0000	0.9998	18.9998	35.2970	53.2970
0.2507	6.0000	1.0000	19.0000	34.7661	52.7661
0.2313	6.0000	1.0000	19.0000	34.4967	52.4967
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	-	18.0000	35.1058	53.1058
0.4825	6.0000	-	18.0000	35.1368	53.1368
0.3922	6.0000	-	18.0000	35.0522	53.0522
0.3346	5.0000	-	18.0000	33.4745	51.4745
0.3311	6.0000	-	18.0000	34.6155	52.6155
0.3151	6.0000	0.1770	18.1770	34.7969	52.7969
0.3127	6.0000	0.2100	18.2100	34.5072	52.5072
0.2507	6.0000	0.1900	18.1900	33.9561	51.9561
0.2313	6.0000	0.1600	18.1600	33.6567	51.6567

Revenue Capacity
Principal Property Taxpayers

	Tax Year 2006			Tax Year 1997		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Detroit Edison	$ 334,243,740	1	34.95	$ 308,881,190	1	41.51
Automotive Components Holdings	62,634,420	2	3.80			
Macsteel Monroe, Inc.	45,884,470	3	3.70	24,721,540	3	3.32
International Transmission Company	8,548,590	4	0.69			
Howard Ternes Packing Company	7,398,530	5	0.72	3,538,970	5	9.48
Riverbend Commons, LLC	6,268,170	6	0.55			
Monroe Bank & Trust	6,099,290	7	0.34			
National Galvanizing	4,693,510	8	0.48	2,116,510	8	0.28
Oak Forest APT Investors, LLC	4,444,210	9	0.35			
Holiday Inn of Monroe	4,047,390	10	0.32	1,881,810	10	0.25
Ford Motor Company				58,776,890	2	7.90
IKO Monroe				4,693,420	4	0.63
Benchmark Homes				3,042,600	6	0.41
Delta USA Corp				2,580,740	7	0.35
La-Z-Boy Chair Company				2,053,970	9	0.28

Revenue Capacity
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Year Ended June 30	Total Levy	Currrent Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Levy Collected
1997	1998	$ 10,581,504	$ 10,327,156	97.60	$ 231,483	$ 10,558,639	99.78
1998	1999	10,864,753	10,584,949	97.42	244,176	10,829,125	99.67
1999	2000	11,511,622	11,321,851	98.35	182,030	11,503,881	99.93
2000	2001	11,829,828	11,358,754	96.02	433,967	11,792,721	99.69
2001	2002	12,164,082	11,520,329	94.71	547,754	12,068,083	99.21
2002	2003	12,710,425	12,428,201	97.78	194,358	12,622,559	99.31
2003	2004	13,692,619	13,478,386	98.44	202,759	13,681,145	99.92
2004	2005	14,291,466	14,012,116	98.05	271,542	14,283,658	99.95
2005	2006	14,562,887	14,236,760	97.76	313,538	14,550,298	99.91
2006	2007	15,088,559	14,605,550	96.80	459,751	15,065,301	99.85

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

	1998	1999	2000	2001	2002
Governmental Activities					
General obligation bonds	$ 6,551	$ 6,519	$ 6,436	$ 6,312	$ 6,177
Installment purchase agreements	-	101	185	220	113
State of Michigan loans	73	-	785	942	1,160
Sewer bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	26	26	16	6
Total	6,624	6,646	7,432	7,490	7,456
Business-type Activities					
General obligation bonds	2,340	2,175	2,005	1,830	1,655
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	2,340	2,175	2,005	1,830	1,655
Total debt of the government	**$ 8,964**	**$ 8,821**	**$ 9,437**	**$ 9,320**	**$ 9,111**
Total residential personal income*	$ 402,717	$ 419,941	$ 440,372	$ 455,821	$ 461,790
Ratio of total debt to personal income	2.23%	2.10%	2.14%	2.04%	1.97%
Total population (actual)	21,922	21,964	22,076	21,873	21,701
Total debt per capita	$ 409	$ 402	$ 427	$ 426	$ 420

Note: Data in thousands of dollars, except debt per capita
* Personal income other than census years trended based on State of Michigan percentage change

Source: U.S. Census Bureau - www.census.gov

Debt Capacity
Ratios of Outstanding Debt
Last Ten Fiscal Years

2003	2004	2005	2006	2007
$ 6,036	$ 5,883	$ 6,179	$ 5,930	$ 5,705
-	-	-	-	607
1,140	1,120	999	898	1,535
-	-	-	-	-
-	-	-	-	-
38	174	657	528	394
7,214	7,177	7,835	7,356	8,241
1,480	1,285	900	3,020	2,755
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,480	1,285	900	3,020	2,755
$ 8,694	**$ 8,462**	**$ 8,735**	**$ 10,376**	**$ 10,996**
$ 484,339	$ 493,243	$ 510,027	$ 525,328	$ 542,139
1.79%	1.72%	1.71%	1.98%	2.03%
21,726	21,764	21,791	21,791	21,840
$ 400	$ 389	$ 401	$ 476	$ 503

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax-supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt	Taxable Value
1998	$ 6,265,000	$ -	$ 159,186	$ 359,365	$ 6,465,179	$ 761,465,368
1999	6,265,000	-	66,432	380,729	6,579,297	781,352,570
2000	6,215,000	-	70,159	1,217,389	7,362,230	814,178,545
2001	6,125,000	-	96,807	1,365,324	7,393,517	818,413,670
2002	6,025,000	-	109,727	1,431,357	7,346,630	836,414,005
2003	5,920,000	-	120,172	1,293,637	7,093,465	876,196,685
2004	5,805,000	-	149,986	1,293,740	6,948,754	912,793,465
2005	6,140,000	-	177,132	1,695,128	7,657,996	936,954,310
2006	5,930,000	-	203,430	1,425,310	7,151,880	954,388,710
2007	5,705,000	-	179,245	2,535,748	8,061,503	970,933,535

Debt Capacity
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.85	21,922	$ 295
0.84	21,964	300
0.90	22,076	333
0.90	21,873	338
0.88	21,701	339
0.81	21,726	326
0.76	21,764	319
0.82	21,791	351
0.75	21,791	328
0.83	21,840	369

Debt Capacity
Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
County of Monroe	$ 13,877,410	16.08	$ 2,231,488
Jefferson School District	-	2.61	-
Monroe School District	880,000	50.11	440,968
Monroe Intermediate School District	-	16.81	-
Monroe County Community College	-	16.08	-
Total overlapping debt			2,672,456
Direct City debt			8,460,000
Total direct and overlapping debt			**$ 11,132,456**

Source: Michigan Municipal Advisory Council

	1998	1999	2000	2001
Calculation of Debt Limit				
State equalized valuation	$ 818,835,630	$ 853,329,735	$ 901,022,830	$ 921,412,320
10% of taxable value	81,883,563	85,332,974	90,102,283	92,141,232
Calculation of Debt Subject to Limit				
Total debt	8,964,365	8,820,729	9,437,389	8,142,562
Less debt not subject to limit:				
Special assessment bonds				
Revenue bonds				
Pollution abatement bonds				
Water Resources Commission or Court-ordered bonds -				
Net debt subject to limit	8,964,365	8,820,729	9,437,389	8,142,562
Legal Debt Margin	72,919,198	76,512,245	80,664,894	83,998,670
Net Debt Subject to Limit as Percent of Debt Limit	12.29%	11.53%	11.70%	9.69%

Source: City of Monroe Assessor

Debt Capacity
Legal Debt Margin
Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
$ 947,437,290	$ 1,003,493,724	$ 1,057,660,560	$ 1,081,817,040	$ 1,098,547,510	$ 1,113,591,980
94,743,729	100,349,372	105,766,056	108,181,704	109,854,751	111,359,198
7,832,190	8,655,847	8,288,205	8,178,234	9,847,508	10,054,546
7,832,190	8,655,847	8,288,205	8,178,234	9,847,508	10,054,546
86,911,539	91,693,525	97,477,851	100,003,470	100,007,243	101,304,652
9.01%	9.44%	8.50%	8.18%	9.85%	9.93%

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Information
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1998	21,922	$ 402,717	$ 18,370	3.1
1999	21,964	419,941	19,120	3.0
2000	22,076	440,372	19,948	3.4
2001	21,873	455,821	20,839	4.6
2002	21,701	461,790	21,280	5.9
2003	21,726	484,339	22,293	6.8
2004	21,764	493,243	22,663	6.7
2005	21,791	510,027	23,405	6.0
2006	21,791	525,328	24,108	5.9
2007	21,840	542,139	24,053	6.5

Source: U.S. Census Bureau and Michigan Department of Labor and Economic Growth

Demographic and Economic Information
Principal Employers
Current Year and Four Years Prior

	Taxpayer	2007 Employees	Percentage of Total	2002** Employees	Percentage of Total	2002 Rank
1	Visteon	1,954	2.56	1,954	2.66	1
2	Mercy Memorial Hospital	1,246	1.63	1,246	1.70	2
3	DTE Energy	530	0.70	530	0.72	4
4	County of Monroe	750	0.98	750	1.02	3
5	La-Z-Boy Incorporated	522	0.68	522	0.71	5
6	Monroe Bank & Trust	401	0.53			
7	MACSteel	385	0.50			
8	Sisters, Servants of the Immaculate Heart of Mary	265	0.35			
9	City of Monroe	257	0.34	257	0.35	7
10	Monroe Publishing Company	200	0.26			
11	North Star Steel			500	0.68	6
12	Detroit Stoker			160	0.22	8
13	Pioneer Metal Finishing			130	0.18	9
14	National Galvanizing			100	0.14	10

Source: Monroe County Chamber of Commerce and Michigan Department of Labor and Economic Growth
Note: Percentage is of total employed in Monroe County. Data on City of Monroe employment is not available
** Information for nine years prior was not available

Function/Program	1998	1999	2000	2001	2002
General government:					
City manager	4.00	4.00	4.00	5.00	5.00
Clerk/Treasurer	5.00	5.00	5.00	5.00	5.00
Assessor	4.00	4.00	4.00	4.00	4.00
City attorney	2.00	2.00	2.00	2.00	2.00
Finance	6.00	5.00	5.00	5.00	5.00
Human resources	3.00	3.00	3.00	3.00	3.00
Engineering	11.00	11.00	11.00	11.00	11.00
City Hall and grounds	2.00	3.00	3.00	3.00	3.00
Information systems	3.00	3.00	3.00	3.00	3.00
Public safety:					
Police:					
Officers	47.00	48.00	46.00	46.00	48.00
Civilians	6.00	9.00	10.00	10.00	10.00
Fire and EMS:					
Firefighters and officers	41.00	41.00	41.00	41.00	41.00
Civilians	-	-	-	-	-
Zoning/Ordinance enforcement	2.00	2.00	2.00	2.00	3.00
Building inspection	7.00	7.00	7.00	7.00	7.00
Public works - Public service					
Operations Division	33.00	32.00	30.00	28.00	30.00
Forestry Division	6.00	6.00	6.00	6.00	5.00
Parks Division	3.00	3.00	3.00	3.00	3.00
Airport	-	-	-	-	-
Community and economic development	5.00	5.00	5.00	5.00	5.00
Parks and recreation	3.00	3.00	3.00	3.00	3.00
Water	30.00	30.00	30.00	31.00	31.00
Wastewater	31.00	31.00	31.00	31.00	31.00
Total	**254.00**	**257.00**	**254.00**	**254.00**	**258.00**

2003	2004	2005	2006	2007
5.00	5.00	4.00	4.00	4.00
6.00	7.00	7.00	7.00	6.00
4.00	3.50	3.50	3.60	3.60
2.00	2.00	2.00	2.00	2.00
5.00	5.00	5.00	5.00	5.00
2.00	2.00	1.42	2.00	2.00
11.00	11.00	11.00	10.00	9.50
3.00	2.00	2.50	2.20	2.20
3.00	3.00	3.00	3.00	3.00
46.00	47.00	47.00	47.00	46.00
9.00	7.00	7.00	7.00	7.00
41.00	41.00	41.00	41.00	41.00
-	0.50	0.50	0.40	0.40
3.00	3.50	4.40	3.75	3.75
7.00	6.00	4.60	5.90	5.55
30.00	26.00	26.00	25.50	25.00
5.00	5.00	5.00	5.50	5.00
3.00	4.00	3.00	3.00	-
-	-	-	1.00	1.00
5.00	4.50	4.50	5.15	4.00
3.00	3.00	3.00	3.00	6.00
32.00	32.00	32.00	33.00	33.00
31.00	31.00	31.00	31.00	31.00
256.00	**251.00**	**248.42**	**251.00**	**246.00**

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Function/Program	1998	1999	2000	2001
Police:				
Physical arrests	1,764	1,629	1,075	1,150
Traffic citations and warnings	8,733	8,497	7,184	7,756
Original complaints	19,775	19,777	26,651	26,252
Fire:				
Fire incidents	1,900	1,742	1,807	2,159
EMS incidents	1,531	1,313	1,438	1,740
Inspections	98	200	214	189
Code enforcement/administration:				
Building inspections	N/A	N/A	N/A	3,323
Plumbing/Mechanical inspections	N/A	N/A	N/A	595
Electrical inspections	N/A	N/A	N/A	922
Zoning inspections	N/A	N/A	N/A	1,451
Blight complaints	N/A	N/A	209	313
Blight violations	N/A	N/A	N/A	N/A
Rental inspections	N/A	N/A	N/A	N/A
Public works:				
Miles of street resurfaced	2.18	2.26	0.76	1.34
Trees trimmed	2,600	2,503	2,525	2,600
Trees removed	275	233	230	255
Trees planted	275	200	205	230
Street sweeping curb miles	1,950	1,972	2,010	2,100
Storm sewers replaced (miles)	N/A	N/A	-	-
Storm sewers installed (miles)	N/A	N/A	-	-
Storm sewer miles cleaned	57	58	58	60
City property mowing hours	2,880	3,020	3,010	3,000
Parks and recreation:				
Recreation program attendance	9,679	9,426	9,555	9,388
Park/Shelter reservations	135	144	142	134
Pool admission	4,143	3,762	3,605	4,815
Water:				
Number of customers billed	48,000	49,336	50,440	51,855
New services	385	238	255	345
Average daily consumption (thousands of gallons per day)	5,714	5,397	5,999	5,248
Wastewater - Average daily sewage treatment (thousands of gallons)	12,882	12,710	12,553	12,710

N/A = Not available

2002	2003	2004	2005	2006	2007
1,240	1,277	1,284	1,406	1,352	1,186
6,772	6,975	7,010	8,185	5,947	5,407
26,161	26,946	27,081	25,188	23,280	22,273
2,177	2,668	2,729	2,837	2,845	3,064
1,705	2,292	2,189	2,221	2,229	2,418
171	177	329	460	453	397
3,887	3,827	3,186	3,398	3,251	2,635
851	899	876	964	924	709
897	856	853	862	893	730
1,648	2,038	2,147	1,621	1,609	876
3,078	5,922	4,161	5,674	10,840	7,304
23	195	130	290	474	552
N/A	N/A	N/A	N/A	1,017	1,204
1.19	1.69	1.59	1.67	1.98	1.81
2,525	2,600	2,625	2,700	2,626	2,630
245	255	270	305	150	160
240	245	260	275	150	150
2,200	2,200	2,250	2,400	2,200	2,250
-	-	-	-	-	-
1	-	-	-	-	-
70	68	70	70	70	75
3,000	3,000	2,975	2,950	3,000	3,000
8,524	9,060	9,264	9,319	7,972	9,652
148	175	192	212	310	280
4,105	3,510	2,651	2,770	3,112	2,701
54,100	57,332	58,432	58,884	61,173	61,199
281	383	338	335	302	129
5,137	5,416	6,342	6,773	6,998	6,287
13,562	14,247	13,425	11,233	13,999	13,720

Function/Program	1998	1999	2000	2001
Police:				
Stations	1	1	1	1
Patrol units	14	14	14	14
Fire:				
Stations	3	3	3	3
Fire response vehicles	5	5	5	5
Emergency response vehicles	1	1	2	2
Public works:				
Streets (miles):				
Major streets	27.47	27.49	27.49	27.49
Local streets	51.57	51.57	52.27	52.27
Sidewalks	168.3	168.3	168.6	168.85
Streetlights	1,554	1,564	1,564	1,564
Traffic signals	11	9	10	10
Parks and recreation:				
Acreage	300.7	300.7	300.7	281.78
Developed parks/playgrounds	30	30	30	32
Developed fields (soccer, baseball, etc)	15	15	15	13
Libraries - Branches	2	2	2	2
Water:				
Mains (miles)	164	175	184	212
Fire hydrants	1,476	1,575	1,656	1,908
Storage capacity	6.75	6.75	6.75	6.75
Sewer:				
Miles of sanitary sewers	210	220	230	240
Miles of storm sewers	58.41	58.91	59.32	59.72
Treatment capacity (millions of gallons/day)	32	32	32	32

2002	2003	2004	2005	2006	2007
1	1	1	1	1	1
15	15	15	15	15	15
3	3	3	3	3	3
5	5	5	5	5	5
2	2	3	3	3	3
27.49	27.61	27.6	27.58	27.58	28.77
52.41	52.49	52.49	52.89	53.01	53.33
170.26	170.49	170.74	170.74	170.74	170.74
1,564	1,564	1,564	1,564	1,564	1,564
10	12	12	12	13	12
281.048	281.48	280	280	280	280
31	31	32	32	32	32
13	23	23	21	21	21
2	2	2	2	2	2
218	222	239	250	260	262
1,975	1,998	2,080	2,328	2,373	2,373
6.75	6.75	6.56	6.81	6.81	6.81
250	260	270	290	300	303
60.65	60.7	60.71	60.81	60.81	60.81
32	32	32	32	32	32

City of Monroe, Michigan

Federal Awards
Supplemental Information
June 30, 2007

City of Monroe, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2007. Those basic financial statements are the responsibility of the management of City of Monroe, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Monroe's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information presented in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 15, 2007

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Monroe, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

City of Monroe's response to the financial statement findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2007

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of City of Monroe, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The major federal program of City of Monroe, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Monroe's management. Our responsibility is to express an opinion on City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Monroe's compliance with those requirements.

In our opinion, City of Monroe, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

Internal Control Over Compliance

The management of City of Monroe, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Monroe's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

City of Monroe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Monroe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2007

City of Monroe, Michigan

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Transportation - Federal Surface Program - Passed through the Michigan Department of Transportation - Surface Transportation Program:				
West 8th Street	20.205	STP 0658022	$ 274,000	$ 274,000
North Custer Paving	20.205	STP 0458015	173,000	39,653
East First Street Resurfacing	20.205	STP 0758018	158,500	75,401
High Priority Projects Program - SAFETEA LU	20.205	HPSL 0758004	199,600	22,873
Total U.S. Department of Transportation				411,927
U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant:				
2004 Community Development Block Grant	14.218	N/A	629,000	15,925
2005 Community Development Block Grant	14.218	N/A	602,219	307,977
2006 Community Development Block Grant	14.218	N/A	541,249	374,530
Total U.S. Department of Housing and Urban Development Programs				698,432
U.S. Department of Justice - Passed through the Michigan Office of Drug Control Policy - Bulletproof Vest Partnership Grant	16.592	00001986	27,351	405
U.S. Environmental Protection Agency - Brownfield Cleanup Revolving Loan	66.811	BL-97598201	1,000,000	55,086
Total federal awards				**$1,165,850**

See Note to Schedule of Expenditures of Federal Awards.

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	$ 1,258,043
Minus federal revenue that falls under the State's single audit requirement	(38,548)
Minus deferred revenue at June 30, 2006	(76,518)
Plus expenditures not yet drawn down and not received in 60 days	22,873
Federal expenditures per the schedule of expenditures of federal awards	**$ 1,165,850**

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Monroe, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ Yes ____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ Yes __X__ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ____ Yes __X__ No

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-1	**Donated Assets Were Not Recorded in a Timely Manner**

Finding Type - Significant deficiency/Material weakness

Criteria - Donated assets should be capitalized in the year they are received.

Condition - In the current year, the City identified donated water line assets and related depreciation from prior years that had not been recorded.

Context - The unrecorded donated water line assets totaled approximately $4.5 million and the related depreciation totaled approximately $393,000.

Effect - A prior period adjustment was made to record the assets and depreciation.

Cause - The City did not have an appropriate system in place to communicate the donation of lines to the finance department. The City had a detailed study of water infrastructure done in the current year which revealed the unrecorded assets and related depreciation.

Recommendation - Going forward, a system should be established to ensure that donated assets are capitalized in the year they are received.

Views of Responsible Officials and Planned Corrective Actions - There is not a formal City Council process for accepting donated water infrastructure assets. For that reason, beyond making an inquiry, there was no process in place for the finance department to automatically know that an asset had been donated. The finance department of the City of Monroe has added to its fiscal year-end accounting procedures an inquiry of the appropriate city departments to determine if there were any infrastructure assets donated to the City during the fiscal year. This was actually implemented as a part of the June 30, 2007 fiscal year-end accounting procedures as the donated assets related to the prior period adjustment were all donated prior to the 2007 fiscal year.

Section III - Federal Program Audit Findings

None

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October 15, 2007

To the Honorable Mayor and Members
of the City Council
City of Monroe, Michigan
120 East First Street
Monroe, Michigan 48161

We recently completed the audit of the financial statements of the City of Monroe (the "City") for the year ended June 30, 2007. In addition to the audit report, we offer the following comments and suggestions for your consideration.

Overall Financial Condition

Over the past several years, the City has been working to maintain a healthy fund balance. Capital spending has been deferred and other capital purchases have been financed, rather than paid for in cash, to help maintain current fund balance. Total General Fund fund balance was $3,210,195 at June 30, 2007, which includes $22,681 reserved for prepaid expenditures and $1,391,472 reserved for real estate inventories. These items have been reserved because the underlying assets are not available to fund current operations. Undesignated fund balance in the General Fund was $1,796,042, which is about 10 percent of one year's worth of expenditures. The City will need to continue to evaluate its capital spending plan because it is not possible to defer spending in this area for extended periods. In addition, the City will need to prepare for significant increases in the required pension contribution in the upcoming year. In addition, as discussed later in this letter, the City will need to determine if it will fully fund the annual required contribution for the retiree health care liability. As discussed in the past, fund balance is necessary due to uncertainty related to major revenue sources and increasing costs. The City is well positioned in the very short term to weather the current economic downturn given the fund balance that exists. We encourage management to make every effort to protect and preserve the level of fund balance going forward.

New Auditing Standards

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

The new auditing standards (Statement on Auditing Standards Number 112, referred to as "SAS 112") require us to inform you about any matters noted in 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 are also required to communicate these matters to more people. In the past, 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 board of trustees, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

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

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

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

- During the current year, the City identified approximately $4.3 million of additional donated water lines that had not been recorded in the prior year. The additional assets came to light as a result of a detailed study of water infastructure performed during the year. As a result, the City recorded a prior period adjustment to the capital assets and net assets of the Water Fund as of June 30, 2006. Additionally, it was identified during the course of the audit that amounts capitalized for the governmental activities did not always reflect the full costs of the assets as there were some assets that were reported net of amounts contributed from federal and state grants. The error was corrected and properly reflected in the June 30, 2007 financial statements; however, a material adjustment was required. Finally, we noted that certain assets in the governmental activities were being depreciated prior to the assets actually being placed in service. This final item did not have a material effect on the financial statements. We feel that these items combined result in a material weakness. The overall recommendation is that the City review its procedures with respect to capital assets in order to ensure these types of items do not occur in the future.

Additionally, we offer the following accounting comments/recommendations which we do not deem to be significant deficiencies for your consideration.

Pension Funding

During the year ended June 30, 2006, the City was required to make a contribution to the pension system for the first time in five years. During the year ended June 30, 2007, the City made a contribution of $487,016. Due to changes in actuarial assumptions, changes in the investment market, and enhancements to the pension benefits (including cost of living adjustments given to retirees), the actuarially determined contribution for the fiscal year ending June 30, 2008 will be approximately $1.4 million. Pension contributions are expected to remain at this same level for the fiscal year ending June 30, 2009.

Also related to the pension system, we noted that the City does not utilize an annual confirmation letter to ensure that participants receiving benefits are still eligible. We recommend that the City institute this procedure as an additional internal control over benefit payments made from the retirement system. This procedure would help to ensure that benefits are not paid out after retirees are no longer living.

Healthcare Funding

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local governmental units in recognizing the cost of retiree health care and other non-pension postemployment benefits. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of an employee, rather than at the time the healthcare premiums are paid.

The new pronouncement is effective for the year ending June 30, 2009. The City has accumulated approximately $9,600,000 to fund its obligation for retiree health care in the Retirement Health Care Trust Fund, which is a great start to funding this liability. These new standards allow the City to fund the actuarial accrued liability for benefits provided and earned to date over 30 years. This new pronouncement could have a significant effect on the City if it intends to actuarially fund this obligation. It is our understanding that the City is in the process of having this valuation prepared. The City will need to disclose the results of the actuarial valuation one year earlier (the year ending June 30, 2008).

Security Review

During the course of our audit, it was brought to our attention that the IT department had noted some access issues with the City's new software system. There were no security breaches identified; however, we recommend that the City examine the possibility of having a software security review performed to ensure the new system is secure.

Finally, we offer the following comments and recommendations relating to legislative matters for your consideration:

Revenue Sharing

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 State was approximately $1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than $750 million) and to enact a new 6 percent tax on certain services (raising approximately $700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately $400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the 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. More details on this new tax structure are included below. 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. Further changes to Michigan's tax structure were made on October 1 as described above to partially close the structural budget 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. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and 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.

The table below details state-shared revenue for the City since 2001 broken out by statutory and constitutional portions.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	$ 1,356,566	$ 1,423,669	$ 2,780,235	$ -
2002	1,140,691	1,438,515	2,579,206	201,029
2003	970,961	1,464,720	2,435,681	344,554
2004	739,443	1,452,551	2,191,994	588,241
2005	681,829	1,483,385	2,165,214	615,021
2006	632,483	1,508,639	2,141,122	639,113
2007	600,068	1,477,291	2,077,359	702,876
2008*	582,375	1,494,984	2,077,359	702,876

* estimated

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 approximately $580,000 at risk in its General Fund. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

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 bill's franchise fee.

- Audits of the video service providers' calculation of gross revenue is 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.

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 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 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, and 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.

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.

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 time frame 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.

We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by the City staff during the audit. We appreciate the opportunity to serve as your auditors. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC

Beth A. Bialy

William Brickey